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# POLITICAL AND ECONOMIC DEMOCRACY

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EDITED BY  
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AND  
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WITH A FOREWORD BY  
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whose sponsorship and support of the "University in Exile" brought the Graduate Faculty within the tradition of American life as an enduring institution dedicated to the idea of freedom.



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## FOREWORD

*By Alvin Johnson*

DEMOCRACY is the central problem of all present day serious political thinking. In the optimistic half century closing with the 1890's democracy was not conceived of as a problem but as an established value, a goal to be realized by one nation after another until the whole world should be organized under one system, a system of peace, justice to the common man and liberty and richness of living for all.

In the last two decades before the World War this simple faith in democracy gradually waned. Democracy, it was maintained by the dilettante wise, is an outmoded system, corresponding loosely to the handicraft system in industry, the self-appointed healer and religious leader, the smallish self-made man, homespun, split shingles and "long sweetenin'." But who knows "long swcetenin'" now? It was sorghum molasses, cheap, democratic and autarchic, in place of sugar, encrusted with monopoly profit, privilege and slavery.

The race, it was argued, was to the swift, the battle to the strong and all power to the efficient. Democracy was held to be a sentimental reaction against this obvious rule of life. The world fixed its dazzled eyes upon undemocratic Germany, with its steel-spirited armies, its incredible industrial upswing, its science tearing the inmost secrets from the heart of reality. What had democracy to show that was worth considering? The French peasant, surviving stubbornly while parliament talked and ministries fell—in stage falls that bred no deep

bruises. Imperial Britain with the restless subject peoples bound hand and foot with ropes of sand. America, ripping the gold out of her incomparable natural resources and throwing it out of the window on the childish assumption that the gold would always be dirt cheap.

In the supreme court of war "autocratic" Germany was indeed beaten, but by what a desperate and exhausting effort on the part of the "democratic nations"—including Tsarist Russia and the subjects of the emperor descended straight from the rising sun. Inside of the democratic effort, what confusion of cross purposes, what ghastly delays, what staggering waste of treasure and life. It was inevitable that when the final conclusion came, half triumph and half débâcle, the minds of men should revolve all manner of new political inventions, and listen with sympathy to projects for government through an elite, government under self-selective leadership, however limited, yet strong and alive.

We have outlived this romantic period of political invention. Actual experience exhibits the elite as fated to degenerate into a viscous conglomeration of gangsters, essentially a bombastic pomposity in externals, a cowering sadism on the inside. We are forced back toward the conception of democracy: the clear eyed, if perhaps short sighted rule of the common man who stands solidly on his own two feet and has the courage, as a rule, to do justice as he sees it. Such rule may be wanting in point of response to changing circumstance; but can it not be made more responsive? Must we depend for true democratic spirit on the sense of independence that naturally develops on the self-sufficient family farm, or can we also, through the establishment of security, create the conditions of democratic independence even under the factory system?

This book, *Political and Economic Democracy*, represents a collective effort to understand the problems of democracy

by a group of men who have experienced at personal cost what the eclipse of democracy means, for learning and for life. This group of scholars has been known as the "University in Exile"; what it is in fact is an organized European faculty established and functioning on American soil, seeking to translate American experience into European terms and European experience into American terms, to the end that the essential conditions of our common modern civilization may be better understood.

One of the characteristic institutions established by this faculty at the very beginning of its existence is the General Seminar. In this seminar a connected series of topics bearing upon some central problem of the social sciences is discussed through a term, or even a whole year, by the members of the Faculty. Thus the methods of the several social disciplines, economics and sociology, jurisprudence and political science, history, psychology and political philosophy are brought to bear on a common problem. The students and visiting American scholars introduce into the discussion interest and experience that are characteristically American. Thus the outcome is a group of ideas elaborated through the co-operation of the several social scientific disciplines and of American and European methods of thought and social-political attitudes.

The present volume, *Political and Economic Democracy*, is the record and result of the work of the General Seminar for the year 1935-36. It is not indeed a literal transcript of the proceedings of the seminar. The devious process by which conclusions develop out of discussion can be followed profitably only in the presence of the personalities participating in the discussion.

The material here presented has indeed been influenced by the discussion, but mainly in the direction of a more definite expression of the views originally held by the several authors. Such divergence of views as the reader will note rep-

resents real differences in judgment, derived not only from differences in experience, but from differences in temperament.

The democratic instinct values individualism, hence individual differences, above all else. The clean cut dogma of a master or of a school can make no compelling appeal to the true democrat. He knows that reality will never be adequately envisaged from a single point of view. The authors of this book have focussed their attention, each upon the facet of democracy which chiefly commands his interest. Alone, each essay may appear to lie within a single plane. But collectively they afford a three-dimensional representation of democracy, still partial and imperfect, to be sure, but indicative of the direction a more complete analysis must take.

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## INTRODUCTION

*By Max Ascoli and Fritz Lehmann*

WHAT democracy? Whose democracy? The word democracy is in our days taken over by everybody, even by those who have rejected democratic political institutions. From time to time the European dictators themselves like to assert that their regime is the real or organic democracy. The question has taken root in many minds all over the world whether the name and the idea of democracy have not become so confused, so stretched out by too many interests and passions, that their scientific investigation has been made barren of useful results.

The papers collected in this book, all prepared in the manner of our General Seminar, are based on the assumption that the analysis of democracy and of its problems has meaning and usefulness. The writers of these papers hold that the essential problem of our days is still the problem of democracy and, more specifically, of the relations and conflicts between political and economic democracy. They have selected as the object of their investigation that section of social life where political intervention tends constantly to be extended into economic and social activity and where powerful groups claim that the economic life, too, can and must be shaped according to the democratic principles. The aim of this investigation is to achieve a test: a test which may enable us to see whether the idea of democracy has a central focus where both its political and its economic aspects can be proportioned and harmonized, whether it is possible to find criteria of discrimination between

what is democratic and what pretends to be, whether through the development of certain concrete institutions of economic democracy, like works councils, arbitration boards, democracy is promoted or jeopardized. All the papers have been oriented toward these problems, all with different styles and approaches have proposed some answers to them, and none makes a pretense of having exhausted them. It is impossible for an individual or for a group to approach the problem of political and economic democracy by establishing definitions and drawing corollaries. A group can at best attempt various exploratory essays; only at the end, looking at the results from a perspective of the whole, is it possible to discern the undercurrents of agreement which run through the various experiments and which give some unity to them.

The very fact that the institutions of democracy are so widely attacked and that the name democracy is so largely used and misused gives some hints as to the definition of the problem. It means that democracy, at least in our day, is neither a canon from which one can derive rigid strategic criteria of political warfare nor a dogma in the name of which one can launch excommunications. Perhaps to have lost its dogmatism under the savage attacks that it has been subject to is the greatest advantage that modern democracy could ever hope for. Democracy appears to many today as a general wish for widespread spiritual and economic well-being, organized in shaken or battered institutions. Even granting this, one has to add that these institutions work more or less satisfactorily according to the conditions and the nature of men who rule and use them. The idea itself must receive its content from the actions of men; it can inspire such actions but it cannot dictate them. There is little reserve of condensed energy that may act as driving force during the eventual ebbings of democratic strength. This mechanism seems old and obsolescent if compared with the new systems of political organization that

pretend to know always how to put every individual in a specific place and how to expect from him a specific action at every required moment. Yet this looseness and this reliance on man are the elements which give character to the idea of democracy. As the history of this country down to our own day shows, the individuals can receive inspiration from this idea and can give timely concreteness to it with adequate actions; this interchange between theoretical principle and the behavior of man makes of democracy a real political force.

The principle of democracy is represented by a goal and by a method, and by an indissoluble interdependence between goal and method. The goal is to attain on every political issue the greatest possible autonomy, security and expectation of improvement for individuals and for groups, without other limitations than mutual compatibility. The method assumes that political changes have to be brought about only through predetermined channels, and that decisions have to be reached only after opportunity of expression has been given to every interested individual and group. The method limits and defines the ways in which the goal can be pursued, and it rests on the assumption that the outcome is implicit in the political instruments used and in the use which is made of them. No democratic result can be reached by undemocratic methods. The goal may appear vague and contradictory because its definition depends on the subjective determination of what is meant by "greatest possible" and by "mutual compatibility." The method may appear as a handicap established for the defense of vagueness and inefficiency. Even in its definition democracy depends on the energy of men and on how they use the trust granted them.

The principle of democracy offers men the chance to realize themselves to the limit of their capacity. It endows them with a goal and with a set of instruments, but more it cannot do. The concrete historical measure of democracy is determined

day by day, generation by generation, according to the self-controlled activity of men. Here is the reason for the relation existing between democracy and science, a relation which gives science a function and a responsibility in democracy. Science defines the possible effort of man and sets its conditions so that it may reach the maximum of its range and usefulness, but it cannot invent machines for the continuous faultless fulfillment of the effort. Nor can democracy transform men into machines; its concrete achievements are proportionate to the use that society makes of the tools it receives. Democracy can be the best instrument for organizing the sparks of human will, just as science can be the best instrument for utilizing the sparks of human intelligence. Both of them are bound by a definite correlation between means and goals, method and idea, because the method itself involves the result which can be reached in the approximation to the ideal.

This implies that science has to be as critical of democracy as it is of itself. Possibly some readers of this book may remark that the general tone of some of these papers is not cheerful and optimistic. The tendency is rather to denounce dangers than to suggest concretely what may be the right path, to warn about the possible corruption of the idea of democracy rather than to exalt its virtues. This does not come from fear of commitments or from an inclination to conceive science as a grumbling companion of political reality. Rather it comes from the consciousness that the function of science is to make exploratory tests of the ground where human masses are passing or are going to pass, to study all the related problems, and to raise alarm signals when there appear possible dangers ahead. The stimulation and watchfulness that science can provide are among the most important factors in keeping a democracy compact and self-controlled. But although scientists can furnish all the necessary principles of direction for the political and economic activity

of men, and can to the best of their capacity offer it blue-prints and tools, they cannot forget that they are fallible. Political activity too can be fallible, becoming wasteful and purposeless. Thus social science must neither be overconfident in its own principles nor overimpressed by political events, and must try to strike its own balance.

In analyzing new and old political devices the best that social science can do is to describe their range of usefulness. Several of the papers in this book try to define to what extent and under what forms public ownership or arbitration of labor conflicts or shop councils can be beneficial to democracy. To impute greater or lesser validity to plans and proposals, according to their distance from opposite dangers, may appear a rather dull exercise, just as the principles of democracy, dependent as they are on the energy of the men who use them, may appear uninspiring. A certain amount of constitutional stiffness or of bureaucracy are needed in the organization of the modern state; a too great amount of them can jeopardize those human rights upon which the modern state is supposed to stand. This search for a point of equilibrium, which runs through all the papers of this book, is an old basic trend of political wisdom, older even than Aristotle; it can never become monotonous or obvious because there is no mechanical rule which may determine, even after the extremes are defined, where the golden mean is to be found. The equilibrium has to be reached always anew for each specific problem in every given situation. Essentially to study a problem means to measure it according to a certain scale. To believe in science means to believe in the usefulness of measurement, in the possibility of correlating the various systems of measurement and of adjusting them to changing needs. That branch of science that has as its subject matter social reality needs a more strenuous and vigilant belief.

These papers, different as they are in their intonation and

topic, are the contributions of writers who have in common a belief in science and in democracy, and in the interrelation between science and democracy. This means that the writers have tried, according to their own judgment, to reach the best possible balance between opposite extremes; but it means above all that their effort toward scientific validity is implemented by a constant orientation toward the democratic goal striven for according to the rules of the democratic method. Each problem has been looked at in such a way that it may receive the solution most beneficial to democracy; the idea of democracy has been seen in its sociological and philosophical implications so as to receive its fullest and most appropriate meaning. Here again the problem is one of striking a balance between the constant criticism that science owes to democracy and the necessity of keeping democracy as the constant point of orientation and inspiration.

The topics of the various papers have been selected according to the actuality and urgency of the problems rather than by following systematic criteria. Those problems can be reduced to one, as the title of this book suggests: what is the load of economic democracy that the framework of political democratic institutions can bear without cracking? Essentially it is the same problem that once was defined as the potential conflict between freedom and equality within democracy. Now it receives a more concrete formulation: how and to what extent is it possible to distribute the weight of economic democracy over the old political frame? How and along what lines can the frame be buttressed or rebuilt? Several writers of the book have suggested different measurements and valuations, both of the frame and of the load. Democracy has been seen by them on two planes: the legal-political and the social-economic, and obviously their inquiry has been focused by either of the two; but the exigency of reaching an adjustment between the economic and the social plane

has been one of the leading motives during the common work.

About the common work itself, as it now appears in the form of a book, the reader is asked to remember that it was designed to keep the character and to carry the outlook of the General Seminar. Therefore the papers are at the same time informal and didactic; they aim to stimulate discussion rather than to bring out scholarly results. We do not believe we have to apologize because of the fact that the European writers of this book have formulated judgments about the American political and social situation. The ideal and the method of democracy are the same all over the world and acquire various features according to the democratic energy of each nation: thus, although European history does not forecast the American future, those Europeans who believe in democracy find themselves at home in the American nation. Upon these principles our Faculty is founded.

Yet the fitting of European frames to American subject matter which is attempted in these pages would have been impossible without the invaluable assistance of some American friends. We wish to mention Dr. Alvin Johnson, who is the guiding spirit of this as well as of every endeavor of our group; and Miss Elizabeth Todd, formerly an assistant editor of the *Encyclopaedia of the Social Sciences*, who during months of hard work has toiled on these pages so that this joint enterprise of European writers could be as far as possible adjusted to the American language and thought. To them as well as to our students and friends who have helped and are helping the Graduate Faculty in building up its home on American soil, the whole group owes the expression of its deepest gratitude.



## I

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## IS ECONOMIC PLANNING COMPATIBLE WITH DEMOCRACY?

*By Gerhard Colm*

THE answer to this question, like the answers to so many questions, depends on the meaning of the terms. Whether or not economic planning is compatible with democracy depends on the interpretation of democracy and on the type of planning.

The term "democracy" or "democratic" is used in two different ways. Some think of a democratic society as a social order that is intended to realize certain *values*, such as individual freedom, the dignity of man and social justice, and give only secondary emphasis to governmental institutions which are held to be instrumental in the realization of these values.

Others use the term in a narrower sense. They define "democracy" as a certain *form* of government, finding the essential criterion in a procedure for electing and replacing a government by popular vote. These democratic institutions imply the guarantee of certain individual rights, such as freedom of discussion, without which an articulation of the popular will is considered impossible.

I shall use the term democracy only in its narrower institutional sense, and the values which are emphasized in the social philosophical usage of the term I shall call the humanitarian values. The two usages, of course, are closely inter-

related. This relationship exists in a certain affinity between the humanitarian goal and the democratic means, quite corresponding to the affinity that exists between autocratic institutions and nonhumanitarian goals such as nation or race as ends in themselves. The *democratic idea* consists in the belief that a social order serving humanitarian goals can best be realized under democratic institutions. And yet it is not impossible for humanitarian goals to be pursued also through other forms of government, or for democratic government to pursue other than humanitarian ends.

Democratic political institutions alone certainly do not guarantee the realization of humanitarian values. Thus the early democrats fighting for these values demanded not only the replacement of autocratic regimes by popular government but at the same time also the restriction of governmental power. The guarantee of the "rights of man," of personal freedom and property rights, was demanded as safeguard against the danger of an "elective despotism." Certainly these restrictions of governmental power were in the interests of those property-owning producers who did not enjoy a special governmental privilege, but also they were consistent with the democratic idea. The possibility of an "elective despotism" emerging from democratic institutions was recognized as a danger for the humanitarian values as well as for the material interests of the aspiring class. Through restriction of governmental power it was believed that harmony could be established between the humanitarian values and the democratic form of government. It was believed that individual and co-operative action, left to its own devices in family, church and the market, would not impair the freedom and dignity of man but would secure the highest possible social justice. Thus in western civilization the democratic idea took the form of "liberal" democracy.

Liberal ideology confined the state to the duty of watching the rules of the game; it was believed that the goals of the

game, the values which make the life of man in society worth while, would be realized through social automatism. And yet it is not adequate to say that democracy in this interpretation was individualistic. The values that the early democrats fought for, such as religion, the dignity of man, social justice, were not regarded as the direct concern of the state, but their realization depended on social rather than individual action. At that time social coherence in family, church and business organizations existed unshaken, as a matter of course, and did not depend on the integrating power of the state. Thus the idea of liberal democracy emerged from a specific historical situation. It was a great and logical conception, but valid only under certain spiritual, social and economic conditions. It is not necessary for present purposes to discuss these conditions in general. But an examination of the economic conditions of a liberal democracy may help to answer the question of whether or not the laissez faire attitude is still compatible with the humanitarian goals of democracy.

## II

In the economic realm the restriction of governmental power is based on the laissez faire theory. Laissez faire, to be sure, never became a political reality, and yet modern democratic institutions were conceived under this ideology and genuinely fitted to it. Liberal democracy was based on the belief that the freedom and dignity of man and social justice in the economic realm would be realized if the government refrained from any interference with the automatic functioning of the competitive order. A presupposition for such a theory was the existence of a great number of small competitors in every field of business. This system of non-interference was conceived in opposition to a system in which guilds regulated and limited the business activities of their members, and in opposition to one in which monopolies and

corporations could operate under state privileges. It was a system supposed to give equal chances to everyone. The struggle for laissez faire and the unrestricted use of property rights was, to be sure, in harmony with the material interests of the property-owning producers striving for expansion, but at the same time it appeared to serve the humanitarian ideals of freedom, dignity and social justice. It was the dream of a society in which the individual striving for his interests within the general rules of the competitive game would serve the interests of the whole; it was the dream of a society in which everyone would reach the place to which he was best fitted according to his ability and industry.

Much of this dream became reality. The achievements of the profit-seeking individuals brought an amazing increase in the material comfort of all classes of the population. Dynamic forces were unleashed which dissolved the traditional patterns of life and led to almost superhuman achievements in conquering the physical forces of the earth and air. A new vitality pervaded society. And yet in decisive respects this dream was never realized and its outlines hardened into an "ideology." The opinion that the guarantee of property rights would also be the best guarantee of an equality of chances and therefore of social justice and individual freedom for all members of the society proved to be fallacious. With technical progress and large scale production new obstacles arose to perfect competition. The equality of chances was shattered, and the inequality of chances was aggravated by a striking inequality in the distribution of risk. The theory that through the marketing order the fittest would be selected and the unskillful and lazy eliminated was refuted by the facts with ruthless disregard for liberal logic. Many of the farmers or entrepreneurs who failed, or the employees who lost their jobs, were neither inefficient nor lazy but the victims of conditions beyond their

control. Business fluctuations produced an insecurity that shook the social foundations of democratic society.

The tenets of economic liberalism became suspect not only because of their social effects but also because it was questioned whether an order of unlimited property rights can in fact guarantee the highest possible efficiency and the best conservation of natural resources. The amazing increase in the productivity of labor, as compared with former periods, could not be denied, but it was questioned whether this increase in productivity corresponded to the possibilities inherent in the technical knowledge and the skill and industry of the people. The deep and long-lasting depression of the 1930's has urged this doubt even upon some who formerly praised the working of the competitive system. Depressions, regarded until recently as a periodical housecleaning, of which the social costs were negligible in comparison with the advantages of economic progress, are now interpreted by many observers as a process of capitalistic self-destruction.

The democratic idea can no longer rely for the realization of humanitarian goals on the automatism of an economy steered by perfect competition. There may be other arguments in favor of this economic order. It may be that any other economic order would show other defects. It may be that the unequal distribution of income and property and the unequal distribution of risk are necessary for enabling the upper class to pursue cultural goals; these aspects of capitalism are not relevant here. But under conditions as they are a democratic society that intends to serve humanitarian goals can no longer rely on the hope that the economic mechanism by itself, without governmental interference, will secure the realization of its ideals. The conditions on which the *laissez faire* ideology was based have changed, and therefore a policy that still clings to the attitude of non-interference is no longer a policy of "liberal" democracy. It might be called one of *formal*

democracy—a policy that grants equality at the polls but is indifferent to inequality of chances and risk, thereby perverting the idea of a democratic order as it was envisaged by the liberal social philosophy.

This is the point where the idea of *economic democracy* has its place. This often used and more often misused catch-word is interpreted in many ways, but I shall use it to indicate an economic order under which the democratic institutions could regain their original humanitarian meaning. Under economic conditions as they were interpreted by the liberal democrats, *laissez faire* quite logically was regarded as the supplement to political democracy which was necessary for realizing humanitarian goals under democratic institutions. Under conditions as they exist today, or are supposed to exist today, economic democracy is regarded by its advocates as the supplement to political democracy through which alone it can restore its original social significance. In this way, they contend, democracy which through technical development was deprived of its moral substance and emasculated to "formal" democracy, can gain a new substance, can become again an institutional structure functioning in harmony with its humanitarian goals.

The various ways in which this task might be pursued will be discussed in the various chapters of this book. I shall deal only with the measures that involve *economic planning*. Planning, of course, can be used for various purposes, for non-humanitarian as well as for humanitarian goals. There may be planning for the enrichment of a group of producers in a monopolistic position, or for the preparation of an aggressive war, but there may also be planning for the general welfare, for the conservation of natural resources, for social security, for a smoother economic development. No one will deny that an autocratic regime, be it fascist or bolshevist, is able to apply planning in pursuing its purposes. But the question is whether

a democratic regime is also able to follow a policy of planning. The political institutions of democracy were, to be sure, developed under the assumption of a laissez faire economic policy, but does this necessarily mean that a policy departing from this attitude must destroy these democratic institutions?

### III

There are many transitional stages between a laissez faire policy and a policy of economic planning. A certain degree of governmental intervention has always existed. Powerful groups of industrial and agricultural producers, who identified their own interests with the national interests, have requested governmental interference. With the increasing political power of labor, governments have tried to mitigate certain social shortcomings of the capitalistic system by the various means of social policy. And finally, middle class interests have been protected against the impact of technical progress and overindebtedness by many techniques of price and credit policy. This interventionism has followed changing political expediencies; its aim has been *political equilibrium* in the democratic society rather than the shaping of the economic process according to a predetermined pattern. All the many measures of economic policy, such as tariff policy, discriminatory taxation, industrial regulation, power policy, state purchases, transportation policy, credit policy, subsidies, have been applied while the governments still clung to an ideology of laissez faire. This may be called a period of *unplanned intervention*, when governments acted in favor of big industries in some countries, of small enterprises in others, of monopolies and business associations at some times, of labor and labor associations at other times; and often all these policies have been applied at the same time and in the same country by various governmental agencies. In a period of rapidly increasing economic productivity and expansion all these incon-

sistencies were compensated by the economic development, and remained unobserved. The situation changed, however, when the forces of economic growth were paralyzed. Then the necessity for a co-ordinated economic policy arose, and co-ordination means an economic policy conducted according to a plan.

Economic planning may mean two entirely different things. According to one concept it means the replacement of the whole private entrepreneurial system by socialized production and distribution, on the basis of an all-comprehensive plan. According to another concept it means the planned regulation of a multitude of private or public enterprises by all the means of economic policy. This *planned intervention*, as it may be called, is compatible with a more or less restricted sphere of private ownership and private management. It requires only that a minimum of strategic points in the economic system be occupied by public agencies.

Instead of elaborating clumsy definitions we may illustrate the various types of planning by resort to a metaphor. Our economic system may be pictured as a torn cloth with many holes (avoiding here the baffling question of who is responsible for these holes). It is a procedure comparable to all comprehensive planning if the tailor decides that the old cloth is no longer worth repair and throws it away, making a new one, regardless of the costs. Unplanned intervention may be compared with the procedure of a tailor who mends one hole here and another there, with patches of various colors, just as he finds them, without any regard as to whether they match and without any imagination as to how the cloth will finally look. A procedure similar to planned intervention is that of the tailor who reshapes the cloth according to a pattern he has in his mind, using as many of the old pieces as possible. This reference to a pattern seems to be the essential feature of every

kind of planning, although pattern does not imply that every development must be anticipated in a detailed blueprint.

Various types of planning may be further distinguished according to the realm to which the patterns refer. There is first the type of partial planning. This may aim, for example, at the conquest or conservation of natural forces, at such goals as flood control, reforestation, soil conservation, land reclamation. Private activities in these endeavors are insufficient because such plans must be made for periods of time that go far beyond the periods with which private enterprises, calculating with interest and compound interest, can reckon. Another type of partial planning emerges from the necessity of structural changes within an economy. Suppose it is necessary that there be a shift of farm population from semi-arid districts to other parts of the country, or a transformation of wheat areas into grazing land. Such changes may be left to the "free play of natural forces"—through foreclosures, death and the experience of generations of the uselessness of a new beginning. But this is a cruel and inefficient process to watch when it could be guided by science and administrative practice in a way that would avoid much of the social costs in terms of human suffering and wasted natural resources. If certain branches of industry are the object of planning, the question arises whether it could be done by private business itself. But this would involve the granting of a monopolistic position to private associations, or whatever the private planning agencies might be, and unrestricted private monopolies would contradict the very meaning of the democratic idea. Co-operation between public and private agencies in partial planning is not excluded, however. On the contrary, active co-operation, wherever such co-operation is suitable, is essential for planning in a democracy.

When the pattern refers to the development of a certain district it is possible to speak of regional planning. The out-

standing example in the United States is the attempt to develop the Tennessee Valley through a co-ordination of flood control, transportation policy, power policy, resettlement, agricultural policy, measures of social hygiene, industrial policy, educational programs, and the like. All these measures are traditional means of economic policy. The only new factor is their co-ordination according to a preconceived plan for the development of a region. Most of the pioneering projects prepared and published by the National Resources Board belong also in these two categories of partial and regional planning.

Much more complicated are those efforts of planned intervention attempting changes of one kind or another which modify the economic system as a whole. It is one of the most urgent tasks of modern economics to determine what strategic points the government must occupy if it shall be able to effect such modifications. How, for example, can a smoothing of the business cycle be brought about? There are those who believe that the mere control of monetary policy gives the key position that enables a government to smooth the economic development—if only this instrument of economic policy be used in the right way. There are others, however, who believe that money plays a more passive role, following rather than causing economic fluctuations, and that if the government is to influence the pace and the direction of economic development, monetary control must be supplemented by credit control. It can easily be shown, however, that a regulated banking system could only influence the amounts and terms of credit supply but could not determine directly the amount and rhythm of the credit demanded. A policy of influencing investments can be exercised if the government can directly regulate investments in a sufficiently large realm of public enterprises or public works. Probably only a co-ordinated policy of monetary, credit and investment control, combined with other measures influencing costs of production, such as

wage regulation, could mitigate business fluctuations without curbing economic development.

But smoothing the business cycle is certainly not the only goal that a policy of planned intervention requires. Other goals, such as the control of private monopolies, require additional measures which must be integrated into such an 'organic plan of economic policy. It is not necessary to picture here in detail the various possibilities of such a planned intervention. I wish only to make it clear that planned intervention does not, like comprehensive planning, mean wholesale nationalization or rigid regimentation of all business activities, but means that the government occupy and use certain key positions from which it can exert an effective influence upon the market mechanism.

#### IV

The problem now is whether planning is compatible with democratic institutions. If it is attempted to introduce comprehensive planning the answer seems rather simple. An attempt to transform a capitalistic society into one regulated by wholesale planning requires the transfer of all private capital into government ownership. If there were a chance that a majority in a democratic society would vote for such a wholesale socialization, all owners of capital would be driven into one antidemocratic front. Thus the democratic regime would be destroyed, at least for the time being, either by those who fight for expropriation or by those who are united in the defense of their property rights, because in such an alignment either group would have to abrogate the principles of political democracy in order to impose its will upon the other group.

The question is different if a capitalistic society has already been transformed into a society of comprehensive planning. A securely established socialism might be compatible with

democracy. But the point which is relevant here is that even if a socialist system is set up it entails at least a transitional period of struggle and dictatorship, and no one can know how long this stage will last. It must last until those fighting for their property rights are radically exterminated. It may last even longer, because a dictator is unlikely to submit voluntarily to democratic control. It is possible that in an industrially advanced country the process of subduing enemies of the new regime would take a longer time than in Russia. Thus a system of comprehensive planning, at least in its inception and its preliminary stages, is not compatible with democratic institutions.

Much more complicated is the question of whether planning of the type I have called planned intervention is compatible with democracy.

Planning necessarily involves an end for the sake of which the government plans. Even the moderate forms of planning, such as the co-ordination of various expedients of economic policy, must be based on a guiding principle. The multifold economic groups—farmers, exporters, workers, big business, small business—all consider their own specific interests predominant. Under a regime of desultory intervention these various interests are satisfied more or less according to the political influence they are able to exert. A planned economic policy, however, requires other than a political principle according to which satisfaction and sacrifices shall be distributed.

Such an all-inclusive principle exists in time of war. War preparation requires that all human and social ends be subordinated to one goal, the strengthening of the military power of the nation, and it is in accordance with this goal that favors are distributed and sacrifices imposed. Sometimes, to be sure, external issues are used as a mere pretext, and an autocratic state builds up a permanent "fortification economy" in order not only to protect itself from foreign powers but also to

entrench itself at home by patriotic appeal for defense or aggression. This, however, is the procedure of regimes that are fascist, not democratic. It is not incompatible with democratic principles for a state in time of war or genuine threat of war to organize its entire economic strength for the sake of national defense, extending its control as widely as necessary for the duration of the emergency.

But national defense, although it is certainly an integrating principle, can scarcely be considered, except perhaps in fascist regimes, a fundamental and enduring guide for the co-ordination of economic policy. Is democracy able to establish such a principle?

One answer is contained in the idea of a *liberal intervention*. There are liberals who admit that under conditions as they are the market automatism does not function satisfactorily and that governmental action is inevitable. But they believe that it is possible to recreate the conditions under which the classical scheme was conceived, and they contend that governmental action should be limited to this purpose. Thus they suggest a policy that would prevent the rise of private monopolies or would even encourage the breaking up of large enterprises which work under decreasing costs and are a potential disturbance to the market equilibrium. Such a restrictive interventionism, since it envisages no other goal than the restoration of the market automatism, would seem to be compatible with the principles even of liberal democracy. But, although it is undoubtedly feasible for the large sections of our economic system in which the small enterprise is predominant and efficient, if it were extended also to other sections in which the large scale enterprise has proved to be superior, it would mean the abandonment of troublesome but important technical and organizational achievements.

Thus planned intervention, if it is to work with, not against,

modern technical conditions, must proceed from mere restrictive measures to positive actions for establishing an economic equilibrium. But although this is a necessary goal it cannot be a constitutive goal of economic policy, because there are so many kinds of equilibria possible. If it is believed, for example, that a policy of public spending during a depression is necessary for the re-establishment of the market mechanism, this policy may be pursued as an effort toward economic equilibrium, but it would still remain to be decided how the money ought to be spent during the depression, how much should go for farmers, for unemployed, for the construction of schoolhouses, for conservation work, for armaments. There must be some kind of guiding principle to show which direction will be taken in reaching the goal. This is evident also in the distribution of the tax burden and in many other governmental activities, and it is especially evident in the further reaching proposals of planned intervention. A government that assumes the duty of such intervention cannot act under the fiction that it refrains from all evaluations; it must assume responsibility not only for the rules of the game but also to some extent for the game itself. Such a step means a departure from the principles of liberal democracy, even in the neo-liberal form of making *laissez faire* a calculated goal of economic policy.

But does the end of *laissez faire* involve also the end of democracy? Is it true that democracy is not able to establish a goal which may serve as the leading principle for a policy of planned intervention? The Constitution of the United States established two superior goals: provision for the common defense and provision for the general welfare. Does the "general welfare" represent a principle which could co-ordinate state activities in the economic and social fields and which could serve as a criterion as to whether or not the demands of special interests are justified?

It might be objected that the general welfare is susceptible to manifold interpretations. Certainly it is no rigid standard, that can be applied like a graven commandment. It is a moving, flexible criterion, changing not only with the situation but also with the interpretation of the situation. And yet in a concrete situation the determination of what the general welfare requires is far from arbitrary. In any society there is not only a clash of various interests but also a wide sphere of common interests, and there are many achievements benefiting an overwhelming majority of the people which will be contested only by small groups representing special interests. Especially in emergency situations the realm of common interests gains in importance as compared with the sphere of unavoidable antagonism. In a depression, for example, recovery can be regarded as a common interest. Not every opposition to measures regarded as instrumental to recovery can be interpreted as arising from another conception of general welfare but must often stand revealed as merely the opposition of special interests to the interests of the general welfare.

Besides this undebatable realm of measures in the interest of the general welfare there is a broad realm of mooted measures. There was a time, for example, when the idea of elementary education as a governmental task was regarded as an encroachment upon the rights of the church and as a policy of spiritual state regimentation. The provision of a minimum of education by the state is regarded today as an essential element in a democratic policy. It may be that the provision of a minimum of social hygiene or of a minimum standard of housing may also eventually be regarded as an incontestable task of a government striving for the general welfare of the nation. A democratic government cannot, like an autocratic regime, force upon the nation its own program of general welfare. As far as the mooted sphere is concerned, the requirements of the general welfare must be discovered

and interpreted by democratic processes, with constant accommodation to changing demands.

Such a policy is a policy of compromises. General welfare in a democratic society can be pursued only within certain political limits. These limits are set by regard for the unity of the nation. Interventionism in a democratic framework may modify the use individuals make of their property rights, but will not abolish property rights, except by taxation. In any particular instance, of course, the requirements of the general welfare are superior to such demands as the preservation of individual property, and yet if an infringement on private property is necessary in the interests of the whole, it must be compensated by indemnification unless the nation is to be broken up into two fronts which would destroy the basis of democracy in their struggle for ascendancy.

The execution of any such program of planned intervention will meet many obstacles, which must be discussed. But although it may be justifiable to say that planned intervention is not compatible with a *formal* democracy that confines its duties to watching the rules of the game, it is certainly equally justifiable to say that it is not incompatible with a *substantial* democracy that assumes responsibility for the general welfare of the society, for the best possible realization of the humanitarian values that democracy is based on. Planned intervention cannot achieve a perfect and immediate realization of social justice, but it will not entail that violation of humanitarian values that is at least a possibility under autocratic regimes. And although consistency in the pursuit of the goal may be more difficult to secure under a democratic than under an autocratic regime, the integrating power of a policy of economic democracy grows directly out of the processes of a democratic society and is not, like the co-ordination achieved by fascism, forced on the citizens from above.

There may be situations in which the political or economic

antagonism within a society reaches a point where the democratic procedure can no longer operate. Democracy is based on a certain coherence of the society; it may be unable to function if this coherence is lost and if the state must serve as the only means of combining a multitude of individuals in an organized group. In such an extreme situation, however, the chances of a formal democracy are even smaller than those of a substantial democracy which tries to remove gradually the reasons for social disintegration.

## v

Thus it may be asserted that in principles there is no incompatibility between planned intervention and democracy, but how about the possible realization of such a policy?

A planned economic policy needs, as was said before, the conquest of certain key positions through which the economic system can be influenced. Is not the conquest of such key positions perhaps as impossible under democratic conditions as a wholesale nationalization? Here I see a great difference. A wholesale nationalization requires a frontal attack against all private ownership of means of production and would unite all property owners in opposition. The conquest of certain key positions, however, conflicts only with certain special interests and can be effected without expropriation. Such a policy can benefit by the diversity of capitalist interests, many of which will profit from such a planned intervention. There are many instances in which important strongholds have been conquered under democratic regimes and in which control has been assumed over a part of the economic system that was formerly left to the market automatism: democratic countries have, for example, enacted far reaching measures concerning such key problems as agrarian reform, regulation of banks, control of railways and other public utilities. But such reforms have been achieved by democratic methods only when the majority of

the population was assured that the institution of property was not attacked in general.

But great problems emerge from the conflict between special interests and the general welfare, and these must be solved if the policy is to succeed permanently. The private holders of the necessary key positions will certainly fight against public control with all the methods available under a democracy. By such means as propaganda and lobbies they will denounce the government's policy and stir the emotions of the population. The government must assure fairness in the use of such methods, and must meet them with its own arguments, for attempts toward economic democracy can survive only when public opinion is aware of and in harmony with this great task of a democratic government. The danger that democratic rights may be misused by representatives of special interests involves some of the most important problems of a democracy in a period of planned intervention, but these problems are not insoluble.

Another problem that must be met by planned intervention, as by every other kind of planning, is the existence of an administration that is able to plan. It is held by some that the democratic legislative procedure is too slow and clumsy for the quick decisions and adjustments that are necessary, that in any case the co-ordination of the various measures cannot be achieved easily under a democratic regime, and that a dictatorship is in this respect a superior form of government. There is no doubt that an autocratic administration need not be troubled by a wearisome co-operation with a legislative body or by any judicial supervision or constitutional limitation of governmental powers. In this respect it is certainly easier to rule as a dictator than as a democratic executive. And yet it does not follow that a dictatorship is in the long run a more efficient form of government. An autocratic government lacks correctives which in a democratic regime may be annoy-

ing but are nevertheless wholesome. A mistaken policy or a lack of conformity with popular sentiments can continue in a dictatorship for a shorter or a longer time but then it may suddenly endanger the whole government in a much more radical reaction than will occur under a democracy when there is a change of the party in power. Even such a change of the governing party in a democracy does not necessarily mean a break in fundamental lines of the policy if there exists one stable factor, an efficient civil service. And the government should not only rely on such a civil service to execute its policy, with the general consent of public opinion, but should also, in accordance with old democratic traditions, enlist the active co-operation of the citizens themselves. Their co-operation can be used not so much for the great decisions of policy, which should be reserved to the constitutional legislative and executive organs of the state, but for the many little duties in the daily routine of jurisdiction and administration. Such delegation of governmental functions to jurymen, to citizens' committees, to farmers', industrialists' and consumers' co-operatives, will probably succeed best in countries with a great democratic tradition.

The experiences during the last depression with some first attempts toward a policy of planned intervention have proved that the democratic machinery needs a thorough overhauling if it is to be fit to meet this new task. This refers, on the one hand, to provision for the discretionary power needed by the executive and on the other hand to the formation of a civil service capable of executing the policy. Great administrative problems must be solved. Between centralization and decentralization, between the evils of bureaucracy and the lack of any co-ordination, the right way must be found. The creation of administrative bodies with a certain independence, such as the TVA, is certainly an instructive experiment; the procedure of the Agricultural Adjustment Administration may

also serve as a valuable example, while on the other hand much could be learned too from the errors in the organizational set-up of the National Industrial Recovery Administration. But the problem is not only one of administrative technique. For this new task the members of the legislative and executive bodies need a profound understanding of the economic and social necessities; independence and honesty, exhaustive factual information, courage and imagination are required. It is impossible here to suggest in detail all the adjustments that will be needed, but one important point should be emphasized. If it is declared that these requirements are not fulfilled today and therefore democracy is not yet able to cope with such a task, I wish to answer that these qualities which are indispensable for the functioning of democracy today can be developed only by doing the job. The democratic machinery, however, should not be overtaxed at the beginning; progress must be attempted gradually, and in step with the improvement of the machinery.

What has been proved by these considerations? Very little. They certainly have not proved that democracy will succeed in steering the nations through this troubled age; on the contrary, they have emphasized how difficult this task is. Science can contribute only a description of the conditions under which a certain goal can be reached; whether these conditions will be fulfilled is another question, and I shall not attempt any prophecy. My only conclusion is this: democracy is not essentially incompatible with planning if planning is understood as what I have called planned intervention and if democracy is understood as substantial democracy, as an institutional machinery for the realization of humanitarian values. Certain adjustments must be made, and no scientific analysis can reveal whether or not these adjustments will be attempted or whether the attempt will be successful. This depends upon

how far public opinion realizes the precarious situation in which we live. And this in turn depends on the determination and strength of those striving for the general welfare as against special interests. It depends also on a revitalization of the democratic idea, so that the fight for a democratic form of government, and for the individual and social values it incorporates, will be regarded as worth while by the people on whose shoulders the fate of our civilization finally rests.

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## THE TRADE UNION APPROACH TO ECONOMIC DEMOCRACY

*By Alfred Kähler*

TO consider economic democracy as a program of the trade unions might seem at first to attribute to these organizations a wider range of activities than is justified. But it is soon apparent that in pursuing their fundamental aim of improving conditions of work the unions are necessarily led into activities which impinge either directly or indirectly on the general economic structure. Similarly, it might be held that the unions of various countries are too widely different to admit of any generalization about their common purpose. In Germany, for example, the unions were from the beginning closely connected with the socialist movement, and their leaders seldom missed an occasion to declare that the unions fought not only for wage increases but for the liberation of the working class, for the breakdown of the wage system and for socialism as the final goal. The United States, on the other hand, developed an opposite type—craft unions clinging to narrow craft interests and declaring officially that they did not believe in class struggle and had no intention of abolishing capitalism. The English trade unions have stood between these groups, fostering a certain class consciousness but without advancing any radical ideology. But in spite of the fundamental theoretical differences in the trade unions of various countries, it may be considered whether in actual practice the economic and po-

litical goals of the unions are not much the same. After all in 1918, when the laboring class was the most powerful group in Germany, the trade unions did not overthrow the capitalist system or abolish private property in mines, steel mills or big banks; and the American unions have not always favored uncontrolled capitalism but have supported the New Deal and the National Labor Relations Act, with its labor boards and its compulsory recognition of the unions, they have increased collective bargaining and favored public spending, and have not opposed schemes for unemployment compensation.

In other words, regardless of ideologies, is there not in the actual direction of all trade union activity an underlying similarity which can perhaps be designated as economic democracy? And what then is to be understood by economic democracy?

These questions certainly cannot be answered by merely giving a definition of the concept of economic democracy. First, the term varies in meaning with every thinker on the subject and embraces a heterogeneous mass of social and economic problems. Then too, in the English-speaking countries the term industrial democracy is more frequently used, but it is no less amorphous. Finally, the definition of economic democracy is usually given not as a summary of actual trade union policy, but as an expression of personal ideas on what economic democracy ought to be. Professor Hermberg, for instance, at the Breslau convention of the German Trade Union Federation in 1925, declared that economic democracy is necessarily indistinguishable from a socialistic economy, that only an organized economy under a centralized leadership could enable the working class to have a really democratic participation in the economic life of the country, while the present economic order can accomplish no more than shop democracy, which means a close affiliation of the workers

with the interests of the individual enterprises, but not real economic democracy. In short, economic democracy is here identified with a centralized planned economy in which the democratic procedure is followed in reaching important decisions.

In the English-speaking countries writers have been inclined to interpret industrial democracy entirely in terms of the established system. They usually stress decentralization of economic power and participation of the workers in the control of the smaller economic units. G. D. H. Cole, for example, has declared that industrial democracy means that "every workman can feel that he has a real share in controlling the conditions of his life and work," and Lauck has interpreted it as self-government and equality of opportunity in industrial as in political life.

Of special interest is the official concept of economic democracy written by the federation of the German trade unions more than three years after the Breslau Congress. Their socialistic tradition forced them first to declare that economic democracy and socialism are identical in their ends. This was necessary since it could hardly be expected that German workers would support a trade union program that openly departed from the old socialistic ideals. The actual content of the program, however, followed rather different lines from the old Marxian theories of the labor movement.

Since the development toward economic democracy in republican Germany was carried further than in any other country the German program might be used to illustrate how much economic democracy can embrace, and to analyze the character of the different demands usually included under this idea. The experiences of Germany are also very useful in considering the questions of how far economic democracy can be carried within capitalism, how it influences the functioning of the present economic order and whether economic

democracy, carried to its reasonable conclusion, sets up a new economic order.

## II

In most countries the movement for democracy in economic life started in the big factories. The workers, bitterly resenting the autocratic power of the employer, tried to replace it by a kind of constitutional order in the shops. Although the character of this "shop democracy" showed national differences, the development in Germany may fairly be taken as an example. The German shop council law of 1921 introduced for all enterprises with more than twenty employees representatives of the workers and salaried employees who were chosen by free and secret ballot, without regard for trade union membership. They were bound to represent the interests of all workers and could be dismissed only for a very few legal reasons, so that they were able with some frankness to voice the complaints of the workers to their employers. Their very existence was a check on the autocracy of the employers, but there were also direct limitations of the employers' power. The law declared that in setting up a binding shop order the employer should have the explicit consent of the shop council, which meant that he could not arbitrarily regulate the distribution of working hours or arbitrarily introduce penalties or a time clock or general rules of conduct. The shop council had also the express right to participate in the administration of the fund in aid of the employees, to watch the piece price regulation and check the observance of existing collective agreements, and to raise its voice in hiring and firing and in the introduction of new technical devices. Finally there was an article in the law, much resented by the employers, which fundamentally limited the right of firing. A dismissed worker could take his case to the shop council which, if it accepted the complaint, first negotiated with the employer and if necessary

went to a labor court. Re-employment or payment of a considerable sum was to be ordered if the dismissal was socially unjustifiable, that is, if the employer was unable to prove that the worker had not fulfilled his contract or that he was unable to do so or that there was a shortage of work. But even under conditions of decreasing production the employer did not have the right to dismiss any worker arbitrarily, but could do so only after considering the comparative social and economic conditions of the workers who were subject to dismissal.

In this shop democracy the role of the trade unions varies greatly in different countries. In Germany, for example, shop representation was purely a creation of law, separated from the union, while in the United States shop representatives are actually representatives of the trade unions. Thus in the United States their rights are usually rooted in collective agreements and their power is limited to the union shops, with limitations on hiring and firing coming only from contracts between the union and the employers and applicable in general to union members only; in Germany the law and the constitution expressly forbade any distinction between organized and unorganized workers in this respect. These differences, however, are to a large extent only formal. Actually the German shop councils too were representatives of the trade unions; the unions prepared and supported the election of the councils and strengthened their position within the factories. It may be that the lawmakers had different intentions, but independence of the shop councils from the power of the trade unions would have been entirely against the philosophy and interests of the unions, which always considered themselves the sole representative of the workers in all their fields of interest. There were also objective reasons for the increasing influence of the trade unions on the shop councils. Although the councils were given their rights by law, in

practice they needed the support of the workers' organizations, since most of these rights were expressed in vague terms and could be circumvented by the employers if the councils had only the law to support them. Finally, shop representation independent of the unions would have been contrary to the ideology of the German workers, who believed in many things but certainly not in syndicalistic developments.

The regulations of shop democracy leave the economic conduct of the enterprise with the employer, and do not affect either the ownership of the means of production or the economic system as a whole. They are essentially intended to prevent the economic ownership and leadership of a factory from making the individual employee dependent on the good-will of the employer or his representatives rather than on the economic necessities of the enterprise and the established economic system. It is discipline in the factory which is "democratized," not the economic command of the means of production. Nor does shop democracy mean regulation by majority decision, as in political democracy. The German law, for instance, merely recognized two independent groups in the factories and facilitated their co-operation in the task of production, at the same time requiring employers in some cases to listen to the shop councils, in others to negotiate with them, and in still others to ask the state for an ultimate decision.

In fact, this principle of regulated co-operation is characteristic of economic democracy as a whole. Its tendency is always to strengthen the position of the workers but to leave the final decision to the employer, or to negotiations between the two recognized parties, each relying on its economic strength, or to the state.

The original goal of trade union activities was undoubtedly equality of bargaining power in the labor market. The workers were here in a weak position, because of the excessive supply of labor and the comparatively monopolistic position

of each employer. To remedy this situation the trade unions tried from the very beginning to build up a similarly monopolistic position for the workers, with themselves as the recognized negotiators. But, as everyone knows, both governments and employers opposed this development for decades, and the yellow dog contract and dismissal of workers because of union membership became international practice. Nevertheless the unions carried on their campaign for recognition and in most countries the war period helped in their advancement. Labor was urgently needed and strikes had to be avoided. Co-operation with the labor unions therefore became imperative, and the governments paved the way. Even the old imperial Germany granted the unions representation on official state boards during the war in order to accomplish general conscription of the civilian working population. In the United States Gompers became chairman of the Committee on Labor in the Advisory Commission of the Council of National Defense; a Government Mediation Commission and finally a War Labor Board were set up composed of representatives of employers, workers and the government. But after the war the development in the United States was turned again in another direction. The National Industrial Conference called by Wilson in 1919 as a last attempt to bring capital and labor together failed in its objectives and was shortly followed by a drive for the open shop, although even at the same time public discussion was considerably concerned with economic reconstruction and the introduction of industrial democracy.

In this period immediately after the war the German labor movement reached its greatest power. The trade unions signed with the employers' associations the famous agreement in which the latter promised to recognize the unions in the future as the sole representative of the workers, to bargain collectively with them and to refrain from dismissing workers because of union membership as well as from building up

yellow or company unions dependent on the employer. For the German unions this was not only a great triumph but almost a complete fulfillment of their dreams. It gave them equal footing with the employers' associations and secured for them the sole power of negotiating wages, almost completely avoiding decentralized wage negotiations independent of the union such as are still allowed in the United States by the National Labor Relations Act of 1935.

This "wage democracy" was even further developed. In addition to the agreement between the employers' associations and the trade unions there were two decrees which reshaped the legal character of collective wage regulation. The first decree gave to the collective agreements the standing of binding statute law, so that the terms of the individual labor contracts were directly determined by the collective agreements, even if the individual parties agreed voluntarily to departures from the rule set up by the organizations. This really meant that the employers' and workers' organizations were empowered by the state to regulate wages. And, indeed, this delegation of state power to "self-governing bodies" is not infrequently considered an essential feature of economic or industrial democracy.

The second decree introduced the state arbitration system and rounded out the picture of wage democracy. While the "recognition agreement" had merely established two independent parties, this arbitration decree introduced more or less state supervision over these parties and a procedure which could lead to wage agreements even though the two organizations had not reached an understanding.

This compulsory wage arbitration took back, of course, much of the power entrusted to the economic organizations, and is therefore often considered contrary to the principles of economic democracy. But this judgment is based on an interpretation of economic democracy as self-government and on

the belief that collective bargaining is a means of realizing it. Since we are now considering merely the actual picture of trade union policy as it exists, rather than details of a pre-determined concept of economic democracy, there is at the moment no need to evaluate this judgment. It might be useful, however, to emphasize the fact that there is a fundamental difference between self-government as usually understood in political democracy and collective wage regulation. The latter does not include the democratic method of regulation, that is, majority rule, and therefore it constitutes the right to organize workers and employees and the right to strike, rather than a "system of government." It may be that this wage democracy strengthens the position of the workers and tends toward greater equalization of economic power in the labor market. Nevertheless, growing organizations prepare the way to economic struggles between the groups rather than to a form of democratic regulation. It is therefore likely that the state will finally be forced to impose compulsory arbitration and thus provide a binding procedure for this "self-government" in wage regulation. Whether this intervention of the political state is to be considered the destruction or the perfection of economic democracy will be discussed presently.

Most closely related to the activities discussed so far is the development in the field of price control. The trade unions, always more interested in real wages than in nominal wages, tried to gain an influence on the price level. The ways of doing this were manifold. There was first the consumers' co-operative movement, which had a regulatory influence on the spread in prices for consumers' goods. The trade unions favored the movement especially in order to break trade monopolies. In many European countries trade unions even became producers in a few fields, as in the building industry, where, in combination with tenants' co-operatives, they achieved a real influence on rentals for low-cost buildings.

Further, in the wide range of publicly owned or controlled industries, such as railroads, postal service, telephone and telegraph, electric power stations, gas and water supply, the prices of the products or services are determined by boards dependent on political bodies, and the trade unions demanded influence on these bodies as representatives of the workers.

The Federal Coal Council (*Reichskohlenrat*), one of the results of the nationalization movement of the German revolution in 1918, was a significant development in this movement toward "price democracy." It was composed of representatives of the interested unions, the producers, the traders, the consumers and the government, and held an influential position in the regulation of coal prices. The introduction of such an institution in the price mechanism meant, of course, much more than a democratization of working conditions, for it touched upon the fundamental principles of the capitalist market economy. Furthermore, if there is wage control on the one hand and price control on the other, the result is necessarily a control of the distribution of the national dividend, or what might be called "income democracy." These considerations, however, are more of a theoretical nature than a description of a real development. The power of the German *Reichskohlenrat* was restricted to the regulation of coal prices, and even within these boundaries the council failed to gain enough influence to wrest control of the price policy from the entrepreneurs. Frequently the representatives of the workers were even accused of having favored excessive price increases in order to gain wage advantages for the members of their unions.

A general control of the price policy of cartels was still hardly started. Only the potash industry had an institution similar to that in coal mining. But the trade unions asked for public control of all monopoly prices, with participation of the unions. They hoped to advance from these positions to a

penetration of the whole economy in order to build up gradually a complete network of "democratic regulation," ending in a balanced and harmonious economy. Since this goal was far from being reached, however, the unions were increasingly forced to find other ways to a general economic security for all workers, employed or unemployed. This became the more urgent the further capitalism developed, that is, the more dependent the workers became on their jobs and the more these were endangered by crises and depressions.

Social insurance of all kinds was demanded, and was considered a further step toward economic democracy. The unions early favored sickness, old age and invalidity insurance, and demanded finally the introduction of unemployment insurance. Since the compensation payments of all these types of social insurance help to weaken the pressure on the labor market and to strengthen the position of the employed workers within the factories, insurance is actually a more integral part of the trade unions' wage and economic policy than it seems at first glance.

But the trade unions are interested in social insurance for other reasons too. The insurance organizations administer large sums of money collected from workers and employers, and the unions demand that the principle of self-administration be applied. Thus they ask for participation of workers' and employers' representatives in the administrative bodies, and of course the unions themselves want to be the representatives of the workers, with the state functioning only as supervisor. Further, it is of great importance to the unions that labor exchanges are usually developed and combined with the system of unemployment insurance. Since control of the exchanges is essential for control of the labor market the trade unions are especially eager to participate in their administration.

To complete the picture of economic democracy it is neces-

sary to mention the German Economic Councils. Article 165 of the Weimar Constitution promised the workers that they should be called upon to co-operate on an equal footing not only in the regulation of working conditions but also "in the entire field of the economic development of the forces of production." Besides the shop councils already discussed, this article provided for District Economic Councils and for a Federal Economic Council to include representatives of all important economic groups. The councils were to perform "economic functions" and to co-operate in the execution of the laws of socialization.

This article sounded very much like the beginning of a planned economy and socialism. Actually, however, the councils failed entirely to gain an influence in questions of economic policy. The District Economic Councils were not set up at all, and the Federal Economic Council held only an advisory position to the government in the field of social legislation. The whole article proved to be scarcely more than a gesture to the revolutionary spirit of 1918 and resulted in no fundamental economic changes.

### III

It must be admitted that no final answer can yet be given as to how economic democracy functions. The breakdown of both political and economic democracy in Germany could be cited to show the impossibility of economic democracy in general. But it is obvious that Germany's fate was decided by many economic, political and social circumstances, among which its own economic policy was only one factor. Thus the poor results in that country, although very interesting in the study of economic democracy, should not be held generally valid.

It should not be forgotten, however, that after the war the German working class tremendously improved its social-eco-

nomic position by this trade union policy. The collective agreements and the arbitration system broke the employers' superiority over the workers and led to considerable wage increases. Also the workers' position within the factories' was greatly improved by the shop council law, and the widely expanded social policy gave them a relatively high degree of economic security. The autocracy of the employers in the economic realm was definitely weakened and the working class felt free, probably for the first time in German history. This favorable judgment on economic, or better, industrial democracy, could certainly be repeated for England and especially for the Scandinavian countries. The United States too could be favorably reported upon, although the development here did not go very far.

But it is necessary to discover not only whether economic democracy provided temporary gains for the workers, but also whether it led to a new economic system and how it functioned during the depression. The latter question in particular leads to the vital problems of economic democracy. During a depression there is, for example, an increasing number of unemployed who need the help of insurance and finally of the state, while on the other hand there is a decrease in taxable incomes. The state has therefore to take recourse to steadily increasing tax rates in order to maintain its social policy. As a result those who still have an income are more and more resentful toward the government or even toward the prevailing political system. Sooner or later the state is also forced to cut the payments on all the different social insurances and on the general dole, thus arousing the opposition of the workers to the state. A gradually intensified political struggle results from this increasing penetration of political and economic organizations in the economic life. The situation becomes the more tense the poorer the country is in which this fight for distribution of the national dividend is carried on,

and the further the political and economic organizations advance in mobilizing the whole population.

The social policy, of course, is only one of the disputed points. During a period of falling prices and decreasing production the employers begin to resent more vigorously the limitations built up against the piece-price cutting and against the firing of disliked workers. The wage regulation system too becomes more problematic than in normal times. During the upswing collective agreements can be reached comparatively easily. The employers are anxious to fix wages for a longer time while the trade unions are glad to be able to report wage increases to their members after the negotiation of new collective agreements. But in the depression the employers demand wage decreases for which the unions can hardly vote. The result is the threat of strikes at a moment when neither the workers nor the state can tolerate them. The arbitration machinery is set in action, and compulsory arbitration is the more likely the deeper the depression and the more the state is forced to avoid all further economic disturbances. Thus the state becomes completely involved in economic matters, and political agitation centers more and more around very delicate economic questions. The trade unions press upon the workers' party to maintain the wage level, while the entrepreneurs increase their attacks against economic democracy as a whole. The state tends to follow the line of least resistance. In trying to maintain the wage level it is soon forced to compromise, that is, to lower the wage rate more slowly than the employers want, but more quickly than the unions can accept.

The final result of this policy is an increasing opposition of the employers, who begin more and more to hate the trade unions and the democratic state which is influenced by labor, and the workers too feel no great friendliness toward a state which after all helps to lower their standard of living. The

position of the state is therefore weakened, and this at a time when the political tension is at its height. In other words, economic democracy transforms economic problems into political problems and thus economic crises tend to become threats to the political system as a whole.

The question still remains whether economic democracy could avoid crises and depressions entirely. In considering this the weakness of economic democracy is revealed even more clearly. All the measures described are more or less merely restrictions and limitations on the entrepreneurs, leading to a "chained capitalism" rather than to a smoothly functioning economic system. In other words, wage fixing and price control, restrictions on hiring and firing, shop democracy and social insurances, may be from the social point of view desirable and necessary interferences with the market economy, but they do not suffice to guarantee a steady co-ordination of the means of production. And in a highly political economy crises threaten the democratic system as a whole.

Thus from the democratic point of view there are only two ways left: either a return to a liberal economy—a development which is made impossible by the technico-economic facts of today—or "economic democracy" is expanded and reshaped to include not only measures of social policy in the broader sense but also a positive regulation of production and distribution in order to keep the economy running and in balance.

During the last few years, it is true, public works have been developed to meet the emergencies of crises, and a public works plank could easily be included in the trade union program. Since public works, however, are based on public expenditures, they can scarcely be an ideal or always tolerable solution of the problem. Nevertheless they may help the labor movement to advance from the purely protective and defensive tactics of the past to a really creative policy in the fu-

ture, or help it to find a way of evolution from the present conditions to an economic system with equality and security, based not so much on laws and fighting organization as on a steadily functioning economy. At present, at least, it seems as if this were the only road which would not lead "economic democracy" to the deadlock of a general class struggle, ending with the destruction of democracy as a whole, but would give a hope for living conditions adequate to the twentieth century.

## 3

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## DEMOCRATIC FREEDOM AND THE ORGANIZATION OF LABOR

*By Eduard Heimann*

IT IS universally agreed that an independent organization of labor is indispensable in a democratic society. Such organization is achieved by the trade unions, and it is the prevailing belief that labor needs no other organization. If, however, the character and trends of trade union activity are more closely examined, the question arises whether a further representation is required in order that labor may realize the democratic ideals of freedom and responsibility in the sphere of its work.

The primary function of trade unions is economic improvement of labor conditions, especially the increase of wages. Economists, both orthodox and Marxian (De Leon in this country), have denied that wage increases can be achieved by the unions, declaring that wages are strictly determined by the market mechanism. According to the orthodox view the worker always receives the real value of his labor, that is, the value of his contribution to production—not more, because the employer cannot employ him at a loss, not less because an abnormally high gain would intensify the employers' competition for labor and wages would thus rise to the real value of labor. Under capitalism the productivity of labor has consistently tended upward, and with it the real value of labor.

But it can hardly be contended, and in fact has not been contended, that the competition of employers suffices to adjust wages immediately to this rising value of labor. Unless there is some pressure by organized labor, the wage the worker actually receives tends to lag behind the real value of his labor, and this lag will continue to exist as long as there is an upward trend of productivity. It is here that the unions serve their primary economic function, exerting pressure on the employers to keep wages in step with improving conditions.

It might be contended that the condition of labor improves at least as rapidly in industries that are closed to union activities as in those that are not. "Welfare capitalism," the paternalistic care of employers for their workers without interference from outsiders, is said to grant, peacefully, higher wages, shorter hours, manifold welfare provisions, in short, all the things that the unions claim to wrest from reluctant employers. True as this may be in individual cases, there is no doubt, however, that the principle of welfare capitalism arose as a counterblow against union success and is designed to outflank and overtake the unions and to regain the shaken loyalty of the workers. Without the pressure of the unions in some industries there would be very little welfare policy in other industries.

Thus the economic improvements secured for labor are mostly the direct and indirect effects of labor organization. This function of the unions has certainly a bearing on democracy in so far as care for the economic plight of the lower classes is among the major objectives of any democracy. The same objective, however, would characterize a paternalistic state, and the question might be put whether democracy really needs unions for the future, once they have led, both by action and by their latent threat of action, to a general recognition of new standards of welfare. More particularly, would the very fact that unions might arise again not make their ac-

tual existence superfluous? This question brings us to the core of our discussion. If the workers' welfare were really taken care of by paternalism and could be abandoned to it, which is not the case, then the true significance of an independent labor organization for democracy would come to the fore: such an organization is a means not only for economic welfare but for human liberty. It makes a fundamental difference whether benefits are granted by a benevolent authority or administered and distributed by the people themselves.

This is why independent unions are needed in democracy, particularly since modern democracy is imbued with liberal elements. Three elements of classical political liberalism may be distinguished: first, division of power in the central organization of the state so as to prevent any power from becoming absolute; second, limitation of central political authority to the minimum, reserving as much responsibility as possible for the smaller units such as municipalities; and third, relative autonomy of the various fields of life, such as economic activity or education or religion, even though they are all at least indirectly of the greatest political importance. A spontaneous agreement on the fundamentals of life made such an unrigid organization workable. The entire scheme was designed to secure the liberties and initiative of persons and groups. For the same end something similar must be taken over by modern democracy, unless democracy is conceived as totalitarian, as in Rousseau's vision of a majority government regimenting all and everything.

An application of these liberal ideas to the economic sphere presupposes the relative autonomy of this sphere under its own laws and powers, and provides for decentralization and division of powers within it. Decentralization, of course, is fundamental to the economy of the free market, where as many independent powers as properties are established side by side. The smaller the units of production and property,

and the larger, therefore, the number of independent producers, the more such a liberalism approximates a decentralized democracy. It is too little known that Adam Smith was much of a democrat in this sense, and conceived his liberal system in this direction under the conditions of his time. What is known is the ensuing concentration of property and production which, while continuing the liberal decentralization in the market relations between firms, refused to apply liberal principles to the inner structure of the individual firm (the reason being an antiquated conception and derivation of property). Speaking not in legal but in social terms, the larger plant of production was neither liberal nor democratic but was autocratic in the extreme. It is here that the union comes in as an independent element and restricts the absolute power of the owner, thus establishing a true division of powers. This is liberal pluralism in the economic sphere, and at the same time an approximation to democracy, where a variegation of institutions offers many opportunities for action and responsibility, in short, for trying and asserting liberty.

The unions, however, are inevitably drawn into the economic and social transformation, and this is bound to undermine their human reason for existence while emphasizing their economic reason for existence. In the first place, with rationalization and unification of the market the problems and dangers which labor has to face become increasingly uniform and sweeping. This makes for co-ordination and centralization also in the labor organizations; the elasticity and spontaneity of individuals and groups have to be sacrificed to rational efficiency. It is instructive to note the ease and promptness with which this tendency asserted itself several decades ago in Germany, a country of military rationalism and efficiency, while a variety of labor organizations and principles continues to prevail in the United States, a country of liberal democratic tradition. This latter type of labor organi-

zation may be dubbed reactionary, and for economic reasons its prospects are bad—but it stands for something humanly indispensable even though new forms outside the traditional unions may be required to preserve and develop it in a changing world.

Secondly, the relative autonomy of economic life gives way to political intervention and regulation, partly to serve capitalism and partly to check it. On one hand the economic power grows to such undisputed rank that it need no longer be afraid of the political power, but can dare make it serviceable to its own ends both in domestic and in foreign policy. On the other hand, this centralization of economic power is accompanied by well-known economic and social tensions, with the consequence that in order to protect and preserve capitalism the state has to regulate it. The growing political penetration of the economic field forces a political orientation also upon the unions; if they are responsible for economic issues they cannot keep aloof from influencing those who influence the economic decisions. Still it makes a fundamental difference whether they try to continue their function as an independent organization in a separate field, according to the American tradition, entering the political arena only gradually as necessity arises, or whether they take the lead in shifting their problems from a separate economic treatment to an integration into the general political issues, as in Germany.

It cannot be argued that the latter method, because it promises better results, is preferable in all cases. Individual action may conquer advantages for which a political generalization is impossible for the time being. In such a case the purely political approach would waive the otherwise available partial advantage. Again it might be objected that progress, although inaugurated by the action of individual unions, cannot be effected by that action alone because the final generalization of the union's achievements requires legislation. But there is

the other method of generalizing progress through the paradoxical race of welfare capitalism with unionism. Of course the competition with welfare capitalism does not please the unions and in extreme cases may involve an open clash and grave dangers. It would be a disastrous error, however, to believe that any method can ever be danger-proof. In particular, progress in workers' welfare achieved by union pressure upon the state is by no means safer for the unions. If welfare capitalism tries to alienate the workers' loyalty from the unions in favor of the employers, social legislation may weaken the unions' attractiveness in favor of the state, and may result in including the unions in a corporative state where they must exert their pressure from within. In this respect there is no difference between the fascist and the communist corporation, since both transform the union into an authority among other authorities. The logic of the political way is probably not inevitable, but neither is it academic.

In this discussion the difference between American and German labor history has been referred to several times. This comparison is the more convincing since the discrepancy between the two was not always present. The German unions, like the American, started their career as liberal-democratic organizations, aware of the true nature and purport of labor unions as discussed above. This quality became spectacular in the 1880's, when the unions opposed Bismarck's legislation on social insurance on the ground that it was designed to weaken the attractiveness of the unions in favor of the patriarchal authority of the state. In fact this legislation was a part of Bismarck's political struggle against the labor movement, and it served as a positive supplement to the laws for the suppression of the labor organizations themselves. The issue is particularly instructive because this special measure of welfare policy was no longer controversial but was generally accepted as necessary or at any rate inevitable. In such a situation the

political future largely depends on who seizes the opportunity and does the necessary things. That person will attain the dual goal of shaping the special measure so as to fit it into his political system and of modernizing and strengthening this system. Both Bismarck and his opponents understood this; it was not a struggle on a special question of economic welfare but a struggle on the principles of political organization.

Of course Bismarck had chosen the battlefield with extreme shrewdness, since it was easy to denounce the egotism of the unions and to prove that only the state can take care of the worker's sickness, old age and disability on the financially necessary all-inclusive scale. For this technical reason the unions cannot be blamed for having soon acquiesced to state leadership in the special field of insurance. What they did not need to do was to shift over to the political approach in other respects too. They could have insisted on building up their independent empire within the sphere of work, thus leaving to the state only the care for the worker incapable of working. Instead they chose to link their own progress to legal improvements, using their influence to exert upon the government and the parties pressure for legislative action. Certainly it cannot be denied that this policy did much to promote the welfare of the workers; the prolongation of the average life expectancy by no less than ten years during the brief regime of the German Republic is to be largely, although not entirely, attributed to social legislation and social measures achieved by the state and the municipalities under trade union pressure. On the other hand, however, in the industrial field itself the development of initiative and responsibility lagged behind. Democracy for the masses of workers was interpreted as power in the state, not as relative independence and self-rule. The merging of the unions into the state aimed at a kind of totalitarian democracy and did much to enhance state-con-

sciousness and to invalidate the democratic conception of citizens' independent activities.

Of the American (and English) unions it may be said that they were more true to the union cause than were the German (and Australian) unions. They have relied less on politics and have concentrated on an effort to gain control of the jobs on behalf of their members. While recognizing the owner's property rights in the plant, and leaving to him the management, they have claimed for their delegates in the shop the administration of all conditions of work, including even the province of hiring and firing. This effort at job control without resort to political procedures has achieved a definite measure of success; it is rightly if paradoxically termed (by Perlman) an ownership in the jobs, thus stressing the separation and combination of independent powers. But it is more or less closely linked to industrial expansion, or at least stability, and it depends on the smooth working of the system which it accepts as a general pattern of life and within which it pursues its particular goal. It deliberately avoids any questioning of the system. With economic and social crisis, and with universal crisis-consciousness, the restriction to such a procedure is no longer adequate. In America, too, the unions have now been forced into a closer affiliation with state affairs—lobbying in Washington has become of major importance among the activities of the American Federation of Labor—and recognition of the interdependence of all factors and events in the national economy has resulted in a growing tendency toward a systematic and rational approach through a unifying center. A labor market can be controlled only by a rigidly unifying union, and an industrial system can be stabilized only by some deliberate co-ordination. It is only logical that the world's foremost students of labor problems, the Webbs, who have always insisted on the necessity for efficiency in labor organization and legislation, are in sympathy with the totalitarianism of

the Russian labor state today. On this point a very different position will be taken if one conceive the unions as instruments of social liberty. The more irresistible the trend toward bureaucratic and political centralization, the more vital becomes the quest for an independent organization of democratic liberty.

Independent unions are certainly indispensable in a period of economic, social and political reconstruction; but, by virtue of their functions, they are inevitably exposed to the centralizing trend which destroys a part of their significance. The mere existence of unions is no longer in itself sufficient to guarantee democracy by guaranteeing the position of labor in democracy. Trade unions, like any central authority of whatever origin and nature, may become anti-democratic. A man's liberty is lost to him as soon as he abandons it to others to administer in his behalf. Freedom consists in doing something of one's own accord, in realizing one's self in a task and being responsible for it. The more it proves technically necessary to provide for certain conformities and centralizations within the deep entanglement of modern society, the more vital is the search for institutions of freedom within the frame of integration. A more original element of freedom is needed.

## II

This indispensable element of democracy may be provided by works councils. They may become part of democratic systems of widely varying characteristics. At the one extreme it may be a capitalistic democracy, where the autocracy of the representatives of capital is replaced by a "constitutional factory," with the employees having knowledge of, and being partly responsible for, the decisions of the management. And at the other extreme it may be a workers' democracy without private employers, with the individual worker having not only a fraction of a millionth part of the general vote and

responsibility but also a very personal share in the decisions concerning his shop as a productive unit. In emphasizing the importance of decentralized responsibility, exemplified by the works councils, it must not be overlooked, of course, that other and more centralized devices are also necessary, in order to provide the indispensable measure of economic security. It would be absurd to discuss institutions of liberty in a social and economic vacuum; the question to be considered is liberty in a functioning system.

In the capitalistic set-up of society it is imperative that the councils' independence be protected by strong unions. Without this protection the councils would be likely to fall prey to the power of the employer, with their members in danger of punitive dismissal or even the very hiring of workers put under the test of sworn loyalty to the company. In such a situation the democratic value of their representation would be vitiated from the outset. Any direct or indirect influence of the employers on the composition of the councils is incompatible with the democratic function of the councils. It is this kind of influence which is barred by the collective bargaining of independent unions.

The company union, because of the principle applied in selecting the workers, cannot be considered a democratic form of representation and obviously has no part in this protective function. The company union is at best an instrument of enlightened paternalism (which may be very much indeed in certain respects) and at worst is merely a screen to conceal the prevailing autocracy. In Germany the system has been openly legalized by the recent law which applies the "leader principle" to the factory by providing that the "leader," the employer, nominate the candidates for the workers' council out of the ranks of his "followers," the employees. A certain modification has been introduced by providing for a possible appeal to the "labor trustee," an official in contact with the

"labor front," the compulsory workers' organization, which, however, is a state-controlled institution that neither in intention nor in fact guarantees the workers' independence.

Not only the workers and their officials, not only the advocates of social legislation and social policy, but also independent-minded employers, such as Arthur Nash in this country or Ernst Abbe of the Zeiss plant and Wilhelm Freese in Germany, have always insisted on the workers' affiliation with independent unions. Nash's wisdom is most significant in this respect. When his workers refused to join the Amalgamated because they could have no better leader than he, Nash insisted that their independence from personal contingencies of the management should be institutionally secured by calling in an independent power.

But although in capitalism the unions are needed to check the employers' autocracy, they necessarily tend toward centralization and regimentation themselves, and to a corresponding extent they fail to represent the spontaneous urge and direct responsibility which are constitutive elements of social liberty. They are always interested, to be sure, in the existence of local employees' representation, so that they may have legal delegates for the supervision and execution of collective agreements. But this particular interest of the unions exposes the councils to the danger of being swallowed up by the unions and of losing their genuine significance and independent will, particularly where the unions cease to be mere correctives in capitalist society and become seats of major power. Their tendency is to use the councils as tools of union policy and to curb their spontaneity, rather than supporting them in their particular task.

All attempts at labor organization which are either consciously derived from syndicalist theories or practically parallel to them reflect a mistrust of unions on this score. The psychological and moral foundation of syndicalism, as distinct from

its class war ideas, was the belief that great things in human life cannot be achieved by mere bureaucratic calculation and regulation but demand devotion, impetus, sacrifice and at any rate self-doing. In order to acquire and develop liberty it is of primary importance to possess the virtues of liberty, and a union bureaucracy, like any centralized bureaucracy, is inconvenienced by them. This is the meaning of the syndicalist opposition to professional and salaried parliamentarian and union functionaries, and of the emphasis upon "direct action" as the expression of spontaneity and the will to liberty. These precepts, with a strange mixture of ingredients, were taught by Latin syndicalism and translated into a historically influential syndicalist movement in France, Italy and to a certain extent Great Britain, and exactly the same point of view, though without any theory or program, underlay the anti-capitalist and anti-unionist movement of the IWW in this country before the war.

Of course impetus and devotion, indispensable as they are in any democratic order, are in themselves without direction and contain no principle of organization and integration. Therefore they must be combined with some such principle, and there is more than one with which they can be compatible. In Italy the transition from syndicalism to fascism, not without occasional reference to that past, has been successfully achieved. In England the council movement has been transmuted into the not inadequate, although not sufficiently elaborate, structure of thought of guild socialism. In Germany the council idea arose not only in mistrust of the mechanized unions but also as a reaction against the German idea of order and system in general, which had suffered a profound shock from the disastrous end of the war; all the more was the subsequent helplessness of the councils, the restoration of the idea of systematic order and the allocation to the councils of particular functions in the union system indicative of a funda-

mental weakness in the motivation of the movement. Soviet Russia not only derives her name from the councils, which had spontaneously arisen as units of battle in the revolution, but she grants them an important function in contributing to the drafting and carrying out of the Five Year Plan. This is at the bottom of her claim to be a workers' democracy.

This survey shows the wide divergences among the possibilities inherent in the councils. But it should not be concluded that the councils are to be mistrusted and condemned because of unreliability. They represent an irrepressible element of life, the urge for some spontaneous action, and they may impart a democratic appearance even to anti-democratic patterns of social order. Because of the very flexibility of this genuine democratic impulse, it must be used to animate a system of democratic institutions, and must not be abandoned to the enemies of democracy.

There is no doubt, however, that thus far the record of the councils is somewhat discouraging. Also, the record of their co-operation with such employers as were ready to admit them at all has been extremely poor. Nothing is heard of such co-operation when once established; the fact that the co-operation has been set up seems to exhaust the interest in it, and those who had hoped that it would mean a source of new life and new democracy have been unmistakably disappointed. It seems to be a common opinion that the Baltimore and Ohio benefited more from its famous plan than did its workers; in other words, the organized aid of the workers was more effective in curbing waste of working time and material than in developing a functioning industrial democracy. Perhaps the measuring rod used in such a comparison is not adequate, since an enterprise's gains in money are necessarily more conspicuous to an outsider than the workers' gains in liberty and self-rule. Moreover, increasing output per time unit should be expected to be among the by-products of any true improve-

ment. Nevertheless a real increase of liberty in the sphere of work, where it has been so notably lacking for an entire century of democratic development, could scarcely have remained unnoticed in the long run.

These inadequacies of the councils may be summed up as a marked tendency to surrender to the management or the unions, or to allow their functions to be reinterpreted too flexibly according to the different political and social situations in which they are set up. But this does not mean that the liberty they stand for is impossible or irrelevant; it means rather that the functions so far allocated to them are inadequate. If co-operation with the management subjugates them to the naturally superior knowledge of the management, if insuring the execution of collective agreements subjugates them to the naturally superior power of the trade unions who are partners to that agreement, the question arises whether there is not a realm of undisputed competence for the councils. There is such a realm—not management and not collective agreements, not business and not wage rates, but the arrangement of the work in the individual shop.

It is a disastrous misconception that large-scale production leaves no room for spontaneity and initiative because its functioning is as automatic as its machinery. The group of workers always consists of individuals infinitely different in personal qualities, strength, physical and psychological requirements, conditions of family connections and other effects of heritage and environment. Therefore, even within the smallest unit of production, certain questions constantly demand an answer anew: how to allocate the technically different portions of the communal work to the individual members according to their abilities, requirements and preferences; whether to envision a permanent allocation or a rhythmic shifting; how human needs of the workers may be affected by possible innovations in the technical and organizational

methods (the question of technique can certainly not be decided by the workers concerned, as it may affect the entire consuming community, but the plight of the worker in his work should be duly taken into account in any such decision); how to intercede or substitute for one another in case of illness or other personal handicap so as not to impair the technical work and not endanger the job. Such questions can be adequately answered only by those who perform the work and experience its claims, and their council should take the lead in investigating the questions; it should serve as their spokesman.

Tasks of this type may be formulated in a general way, but obviously they must be solved according to the particular conditions of the individual cases. And no individual solution is valid forever; each demands re-examination as changes occur in the composition of the group of workers or in the personal requirements of the men or in the technical requirements of the work. Human happiness and energies are being incredibly wasted by the almost complete ignorance of the mere existence of such fundamental problems. It may well be, however, that the attempt to solve them would be of even greater importance than their actual solution. The solution would mean a gain in human happiness and energies, but the attempt would mean a gain in liberty, would change the feeling of man and society.

It may be argued that employers today would not grant the possibility. Not every employer, to be sure, would be liberal enough to embark upon such an experiment in the self-rule of his workers. He may prefer, through his delegates, to concentrate all power and decision in himself, or he may be afraid lest this training in self-rule, limited though it is, might induce the workers to aspire after higher goals. In all countries, however, there are enough enlightened and courageous industrialists who could be persuaded. It is, of course, one of the con-

ditions of such an experiment under any social system that it be technically confined to the shop unit as such, remaining a local issue; that it should not impair the work; that it remain invisible to any outsider except possibly through a rise in productivity. In conformity with this condition similar plans were widely discussed in France and Germany during the first years after the war. At any rate, labor's excuse that employers would not engage in an attempt does not bear witness to much confidence and self-reliance.

An exact counterpart of this fear that employers would repudiate such an attempt because it might mean a dynamic cumulation of progress in liberty is the fear that the attempt would deflect the attention and energy of the workers from the major issues of social reconstruction and serve as a substitute for more far-reaching liberties. This may or may not be true. Unquestionably it is true, however, that there is never a guarantee of victory and liberty, and that there is a certainty of defeat in the timidity which hopes to avoid dangers by evading the problems which history puts in the order of the day.

In the case of German labor during the republic this excuse was further invalidated by the fact that labor itself owned a great number of factories, some through the unions, very many, and large ones, through the co-operatives, where no capitalistic employers would have been in the way of the workers' will to self-rule in their work. Many, including the most important, municipal enterprises would have been in a similarly favorable situation. The opportunity was there, the idea was there, people to undertake to work in the shops and to train the workers for the new organizational, educational and moral task were there, and everything was refused. Why? Because the union bureaucracy rested upon centralization of responsibility and suspected any attempt at developing the vitality and initiative of the workers themselves. It was a sym-

## THE REGULATION OF LABOR CONFLICTS

*By Frieda Wunderlich*

IN MOST countries in which machinery has been set up for the handling of labor disputes a distinction has been made between conflicts concerning the interpretation of the existing law or collective agreements, that is, disputes on rights, and conflicts concerning the creation of new law for future labor conditions, that is, disputes on interests. In the first type, which includes mostly individual disputes, the handling is not essentially distinguished from that in other fields of adjudication; such cases are dealt with by the normal legal procedure or in special labor courts. Disputes of the second type, which are usually collective, are generally dealt with through a special system of conciliation and arbitration. A few countries, especially the Anglo-Saxon, have only one procedure for the two types of disputes. In the United States, however, the tendency is toward a separate handling of the two types. Since the handling of conflicts on rights has little connection with any particular political philosophy or regime this discussion will be confined to conflicts on interests, that is, to conciliation and arbitration.

In both conciliation and arbitration a third impartial party is asked to help the contestants come to an understanding. In conciliation the outside person or board merely offers suggestions and advice, while in arbitration the outsider makes an

actual decision. The scope of these devices may vary from attempts to prevent or settle disputes to something like complete statutory determination of wages. There are three types of function that they serve: the maintenance of industrial peace, assistance in the establishing of collective agreements, and authoritative regulation of working conditions.

The form and nature of the procedure of arbitration are correlated with its function. The more it tends to regulate working conditions, the more compulsory features will its proceedings have. In their degree of compulsion the schemes cover the whole range from complete freedom for private initiative and responsibility to the strictest binding of parties. At one end of the scale are measures which facilitate merely the voluntary coming to terms of the parties. At the other end is the authoritative decision enforced with the pressure of criminal law. Between these extremes are intermediate forms and degrees of compulsion. Voluntary acceptance of awards may be combined with compulsory submission of the case or with compulsory investigation or postponement of strikes, and so on. Compulsory arbitration, that is, compulsory decision, exists in Russia, Italy, Australia, New Zealand. A transitional stage was the former German regulation according to which the parties were free to accept or reject the award but in case of rejection the award could be declared binding.

Three fundamental attitudes are possible concerning the role the state should play when organized groups threaten or begin to fight. One is the complete rejection of state interference, an attitude that may appear in the form of extreme liberalism (doctrinaire, not evolutionary, living liberalism, which is willing to make concessions) or in the form of extreme class war challenge. The doctrinaire liberal philosophy rejects state interference because of its belief that a harmonious solution is to be found only through the free play of forces;

the philosophy of class war contends that the unrestricted struggle of the classes will lead to a destructive outcome which will make it possible to establish a new social order. A second fundamental attitude is that of the police state, or totalitarian state, which cannot recognize any other power than its own and therefore destroys the organized groups or deprives them of their liberty and character by transforming them into organs of the state. Between these two extremes lies the true democratic conception of government, which is characterized by the balancing of interests, by integration and compromise. It assures to groups and individuals as much liberty and responsibility as they are able and willing to use without interfering with the liberty of others. Democracy, however, may be misused in a dictatorial way as soon as a majority tries to terrorize a minority or as soon as pressure groups become too powerful.

According to the extreme liberal attitude the state should keep out of the economic and social struggle because the state bureaucracy does not understand the interests which are at stake and because those who take the risk of an undertaking cannot brook outside influence on the cost of production; conciliation and arbitration should be the affair of the groups themselves; employers and workers should be free to combine as they please. Historically employers clung to this liberal idea as long as they were sure of their position as the stronger group and were able to compel labor to accept their conditions. When the power of labor began to grow and when class warfare became too expensive, they were more and more inclined to establish arbitration and to invoke state help if they could not manage the situation themselves. Thus in Great Britain in the early seventies, according to Lord Asquith, the vast expansion of trade gave a short period of support for arbitration, when it suited employers to accept almost any decision rather than have stoppage of work. When the wave of

prosperity ebbed, employers again assumed the attitude of extreme liberalism.

The extreme class war attitude of labor is also disinclined to arbitration, because it is opposed to social peace based on a preservation of the present economic system. According to the radical viewpoint, as Cole has summarized it, arbitration is "capital's latest sleeping draught for labor." Only those whose conception of class struggle is not war to the death, without truce, are willing to negotiate as well as strike. If they feel themselves not strong enough to abolish individual bargaining by their own power they try to obtain arbitration. Thus, as the Webbs have shown, the British trade unions from the fifties to the seventies persistently strove for arbitration, because employers refused to bargain collectively and arbitration was the only way to get the principle of common rule accepted.

In the police, or totalitarian state, three historical forms may be distinguished: the patriarchal welfare state, the dictatorial communist, and the fascist. The patriarchal welfare state did not recognize the social importance of the newly rising economic groups and the unequal power of the contestant parties. It considered its bureaucracy superior to the contestants and, thinking to act for order and security, it prohibited the organization of the groups. This prohibition of strikes and coalitions did not, however, work in the interest of the community, because it did not do justice to the difference in strength and because bureaucracy was often not at all impartial. Even if not influenced by employers' interests it was biased by the mercantilistic philosophy of the duty to work and the necessity of low wages. Thus the interference of the welfare state worked in the interest of the more powerful group, the employers.

In the communist dictatorship the regulation of labor conditions is in the main a function of the state and the state

is entrusted with the decision as to whether its own laws have been followed. Strikes are outlawed. Collective disputes arising in the communist dictatorship may be between labor and the national economy as a whole, between different labor groups, or between labor and management. Conflicts of the first two types have to be fought out in the highest organs of the state, which means among the party leaders. To the first group belongs the fundamental labor conflict, no less vital in Russia than elsewhere—that between capital and labor, if capital is understood as the accumulation and labor as the distribution of income. The conflict is between expansion of industrialization and of state services, such as enlargement of the army and social services, on the one side, and distribution of income to the worker on the other. This conflict became visible when, after the adoption of the first Five Year Plan, the trade unions opposed the tempo of industrialization and protested against the accumulation of too great a part of the national income. The dismissal of Tomski at this time, the transformation of trade unions into state organizations and the restriction of their functions showed that the trade unions' claim for autonomy had to yield to what the government considered to be the general interest. The Russian dictatorship, however, unlike the fascist state, recognizes the conflict between the general economic and the social interests within the state itself. Conditions of work are regulated not by a dictatorial power which considers itself superior to the contending groups, but by a power which tries to achieve agreement between conflicting interests within itself, that is, between the general economic and defense interests on the one side, and the social-political interests on the other. The second group of conflicts—those between different labor groups—is likewise of great importance and is peculiar to the centrally planned economic system. It is the conflict of various industries among themselves concerning their relative

share in the national income. This too has to be settled within the leadership of the party, which tries to decide according to the national economic interest. Conflicts in the third group—those between labor and management—are left to managements and trade unions, both representing interests of the state. If then no agreement is reached, arbitration begins to function.

In order to understand the attitude of the fascist state toward arbitration it is necessary to remember the situation during the war. War economy could not bear the luxury of production-restricting labor disputes and therefore had to maintain industrial peace at any cost. The development was the same in all belligerent European countries during the war. The state had to guarantee industrial peace at the expense of democratic principles, and free conciliation was displaced by compulsory arbitration. The economy of the fascist state is a war economy, forced to submit to the interests of the state. Strikes and lockouts are prohibited. Italian fascism destroys the free character of the trade unions by depriving them of their liberty and transforming them into official organs, the functionaries of which are appointed by the superior authorities of the party. Germany, in making over the regulation of labor conditions to the Trustee of Labor, a government official, has openly introduced state regulation of conditions of work. In Italy the government exercises its influence on the Ministry of Corporation and the trade associations, which are official institutions. The final decision is made in a court of law, the judges of which tend to act in accordance with the government's policy. Thus arbitration has become adjudication.

The democratic state recognizes freedom of association and protects this freedom with its authority. There are several ways in which it can go much farther than this. In the first place it can strengthen the right of collective action, using its

own power to enlarge the power of organized groups. The extension of collective agreements to groups other than the agreeing parties, or the granting of a monopoly of trade union representation in labor courts would be examples of this development. Or the state can abandon to the organized groups certain of its own functions, such as the administration of social insurance. And finally the state may use the organizations in its own interest, as it did during the war. It is the great problem of democracy how far it can proceed in these directions without destroying itself, without transforming itself into a *Ständestaat* system of occupational representation or becoming class government in disguise.

The democratic state is by nature inclined to a liberal attitude, that is, to leaving the solution of special questions to the groups themselves. Self-government and self-responsibility belong among its fundamental principles. When the clash of interests becomes so severe, however, that the groups themselves are unable to compromise, or when the inequality of power results in the terrorization and growing destitution of one group, then the democratic state has to step in, in order to protect the weaker side. It must exert its influence too in conflicts which disturb not only the immediately affected industries but also related industries or the whole economy, or which threaten the safety and health of the public. With the growing interdependence of economic life a strike in a key industry or public utility may tie up the whole nation, or large parts of it. Some groups in fighting for their interests not only hurt the opponent but create a deep disturbance of general interests. And the use of violence on either side may create a situation in which the state must intervene. The democratic state has to act in protection of the balance of interests and the justice it aims to achieve.

The simple method of outlawing strikes which is used by dictatorships cannot be applied in a democracy, because the

weakest group's possession of this weapon is a final protection against unacceptable conditions which it cannot resist in any other way. Unless there is in the background a continuous possibility of a strike the protection of the standards of labor seems endangered. The right to strike is the driving force of negotiations. In dictatorships the state can regulate labor conditions and enforce them by severe punishment; democracy, being averse to such regimentation, cannot deprive the weaker group of its means of defense without supplying alternative means of equal efficiency. Remnants of the old police state idea can be found in the attitude of American courts in the use of injunctions against strikes, looked upon by labor as a strikebreaking instrument in the hand of the employer. If public interest demands protection from stoppage of work in public utilities the state has to protect the claims of labor by special means.

The impossibility of outlawing strikes makes it necessary for the democratic state, more than other forms of government, to establish some machinery for settling disputes, because in giving ultimate responsibility to the people the state has to protect the unity of the people from being disrupted by warring groups. Democracy cannot be retained if its citizens and groups do not agree to voluntary restrictions of interest, to compromises. Unity can more easily be lost in democracy than in a form of government protected by concentration camps.

Conciliation and arbitration are the means of the democratic state for preventing industrial disputes, offering the contestants a possibility of changing the status quo, of settling new rights in a peaceful way. Their presupposition, like that of democracy, is that some will to reach an understanding exists. They will succeed only when the unrest is not due to dissatisfaction with the economic organization as such; when the predominant attitude is one of extreme liberalism or communism, arbitration will fail to establish industrial peace. But if there

is a real desire for understanding, then arbitration and conciliation, by helping to mitigate the inferiority feeling of the working class as well as the autocratic demands of the employers, tend to create the sense of unity. The important question is what form these negotiations should take so that the democratic principles they embody can best be served.

There can be no doubt about the democratic character of conciliation and voluntary arbitration. They are methods of settling differences by way of negotiation; like parliamentarism they stand for the principle of decision by conference as opposed to decision by force. They are based on the fundamentally democratic principle that there should be no class government, no misuse of group power, no exploitation of one group by another. Their aim is to combine rival groups into one labor unit with a community of interests.

Conciliation represents the democratic principle that the parties have to arrange their own affairs, and in voluntary arbitration too the principle of self-government is preserved. Here a solution has to be found which corresponds to the relative bargaining strength of the rival parties, or they will not accept the award. Voluntary arbitration is formalized collective bargaining with outside help. The weaker party has to agree because it has not the power to get more, but there is some protection of the weaker group because the investigation of facts promotes mutual understanding. Much depends on the personality of the arbitrator, who may secure concessions which neither contestant would grant to the other in his absence. Even without coercive power there may be an invisible authority, in the form of public opinion, condemning the exploiting group that endangers the peace and displaying human sympathy toward the weaker group. The protective character of voluntary arbitration may be seen in the fact that in practice it is likely to be opposed by a strong group and favored by a weaker party. As long as the acceptance of the

award is free the parties preserve their fundamental right to decide their own affairs. Even intermediate degrees of compulsion do not abolish the rights of the parties to engage in militant action. Compulsory investigation of facts, for example, even if combined with the postponement of strikes, as in Canada, may influence public opinion and bring in its pressure, but the contestants are still free to decide. The suspension of the strike merely limits the freedom to choose the most favorable moment. (The Canadian act has been handled as a measure for conciliation in spite of its compulsory provisions. Both employers and labor are favorably disposed toward the Disputes Act.)

Only in the case of compulsory decisions are the conditions of work fixed by authority. In other words, whether an award is voluntary or compulsory seems to be decisive for self-determination or determination from outside. In compulsory awards the tendency is to decide independently of the relation of power between the parties. To be sure, complete independence will not be secured, because the state has only the threat of criminal law to enforce its decisions. It cannot prevent factories from being shut down in protest, and it is likewise helpless in case there is a mass protest of the workers. It can attempt to act independently only in cases in which this final test of strength has not been reached. Here the question arises as to the basis of judgment to be used in reaching a decision. There are two possibilities. The regulation of working conditions may be determined either by political aims or by a conviction that it is possible to establish universally valid rules which would lead to an economically optimal and socially just regulation of labor conditions. (Compulsory arbitration is in practice necessarily restricted to regulation of working conditions. Union recognition would hardly be an appropriate issue since the functioning of compulsory arbitration depends on already existing trade unions as parties

to the proceeding. For sweated industries in which unions may stir up strikes in order to promote class solidarity and to organize the workers, minimum wage boards are a more adequate form of protection.)

As a matter of fact, it has not been possible to avoid political influence in countries with compulsory arbitration. The contestants have replaced economic power by political power in their efforts to influence the decision. The conflict merely appears in another form. In Australia the problem of political influence became crucial when in 1916 the Labour Party went into opposition in the Commonwealth while remaining in the government in all but one of the states. A contrast became evident between the Commonwealth and the state courts, the latter continuing to decide in favor of labor. In Germany the period of compulsory arbitration was so short and so complicated by the extraordinary situation—three of its thirteen years were years of inflation—that experience is more limited. The strong political influence of labor in this period may be seen in the fact that the Minister of Labor, as the responsible authority, encouraged the arbitrators to raise the standard of living of the working class. The arbitrators tried to find a compromise between the wishes of the working masses on the one side and the bearable burden to industry on the other. They often issued awards which lay half way between what the union demanded and what the employer would grant. This meant that constantly higher claims were put forward by the unions and that awards tended persistently upward, until the depression weakened labor's political power. Then the arbitrators in a panic turned in the opposite direction.

The attempt to find general rules corresponding to community interests, which will serve as a basis for wage decisions, is fraught with difficulties. It is necessary to consider the relation of wages to cost of living, productivity, profits of industry, skill and other factors. In Australia and New Zealand, in applying

the principles of living wage and fair wage, a gratifying attempt has been made to preserve some standard. But no board of arbitration has been able to find a scientific standard of fair wages or fair profits, a "just" standard by means of which disputes can be accurately settled. Experience has shown that the principle of a living wage can be tried out in a comparatively static, prosperous economy, but that it fails in times of quick changes. With growing responsibility the courts develop a big bureaucratic machinery which hampers the mobility and adaptability of the decisions. In New Zealand during the last depression the principle of fixing wages for a period of three years, in order to preserve stability in wage rates during periods of fluctuating prices, resulted in the necessity of restricting compulsion.

The same problem comes up in fascist and communist states. They too have to evolve general principles which give the worker a fair living and protect the national economy as a whole. The three great dictatorships have been so concerned with increasing production, however, that they have not yet realized the full range of problems incident to the artificial fixing of wages. It is not possible to discuss here how far the state can interfere in labor prices alone without intervening in other price markets. Intervention may help more than free negotiation in adapting wages to changing conditions more smoothly, as for instance in Australia in the last depression where state interference in the price market was general. Or it may simply make the system inelastic without protecting the workers' standards, as happened in Germany.

The social consequences of compulsory decisions are inevitably the opposite of what the arbitration system is intended to achieve. When employers realize that their difficulties increase, that their income is damaged, that profit is displaced by losses, they become so embittered that the gulf between the classes is enlarged. The same holds true of labor when the

arbitrator begins to cut wages quickly and generally. The party which feels itself injured will either try to fight in spite of the decision, as the trade unions did in a few cases in Australia and Germany, or it will strive to increase its political power in order to break the other party's political influence on the arbitration system. Fascism has its most fertile soil in such a situation. The British Economic Mission which investigated the Australian conditions reported that the antagonism of employers had been intensified by the arbitration system. German labor's ideology of class war could not be abolished by arbitration.

Another dangerous consequence of compulsory arbitration arises when it succeeds in maintaining workers' standards in a depression. This may give rise to another class antagonism, an antagonism between employed and unemployed. The unemployed see that the state helps only the employed, whose attempt to maintain wages makes employment more scarce. An attitude of class war against the privileged group of workers and against the state may develop. Thus in the last depression compulsory arbitration did not further industrial peace but threatened democracy with disintegration and with a new and more dangerous war.

Compulsory decisions bring about a serious problem also in the field of collective labor law. In the collective law system the state leaves to the organizations the autonomous regulation of a wide range of functions and helps them to reach their goals. In compulsory arbitration, on the contrary, the organizations are used in the service of the state and become public institutions. There is an internal contradiction between the recognition of collective agreements and the practice of compulsory arbitration, the one being based on self-determination, the other on determination from outside. The German labor law was founded on collective agreements, but the practice of compulsory decisions constituted a danger to collective

bargaining. Though the law as well as special orders of the Minister of Labor stressed the principle that compulsion should be used as a rare exception, only in cases in which the public interest would be endangered, it was used in the very conflicts in which great masses of workers were involved and in 1929 much less than half of all wages were regulated by the parties themselves. According to the statistics of the *Allgemeiner Deutscher Gewerkschaftsbund* for the end of 1930, of all collective agreements in force at that time 3.1 million were concluded by direct bargaining, 1.2 by negotiations in an arbitration institution, 5.2 by decision of an arbitrator, and of these 1.8 by compulsory decision. As a matter of fact, all wages were influenced because the threat of compulsion stamped all bargaining. This means a weakening of unionism.

At first glance one could be inclined to think that compulsory arbitration strengthens the position of the trade unions, because the more arbitration takes over the official regulation of working conditions, the more necessary it becomes to have as parties responsible organizations which can apply the decisions and guarantee their enforcement. The legislator has to make sure that on the workers' side he is dealing with organized groups which can be held liable for non-observance of the decision and for the outbreak of illegal strikes. (In Australia and New Zealand industrial unions must be registered before they can take part in arbitration.) Consequently trade unions are recognized and they may even get a state monopoly. They may enjoy the right to exclude other groups and may feel very powerful, as the German unions did.

These seeming privileges, however, are a Greek gift. The union loses its principal function, collective bargaining, and its right to strike, and as compensation is obliged to see to the enforcement of the award for the non-observance of which it can be made liable. This is very dangerous for the union. Be-

ing required in a depression to prevent its members from taking collective action against wage cuts, this may eventuate in a loss of confidence on the part of the working class. The union, in its strong state-guaranteed position, may fail to win over the rank and file, who will not be very eager to pay dues when the organization is no longer the instrumentality for helping them to obtain their demands. The privilege of the state monopoly thus deprives the union of its adaptability and its fighting spirit, its spontaneity, self-helpfulness, self-reliance and its powers of attraction. It changes its character. Independence and freedom of unionism decay. It was a consistent step in this direction when in Germany in 1931 an emergency decree ordered a percentage cut of wages without even maintaining the fiction of a collective agreement. From this decree to the outright state regulation of wages, such as the German Trustee of Labor has to achieve today, is only one step. The decay of collectivism, especially in an enforced industrial peace, is much more fatal to labor than to the entrepreneur, because the employer is a coalition in himself, as Brentano says, and he may find other means of defending his income than by fights or collective agreements. The American Federation of Labor has realized these dangers much more clearly than the German unions did. Gompers declared that acknowledging the government's right to force workers to accept an arbitrator's decision would be to establish servitude. Actually this danger is greater in the United States than it was in Germany, where the bribing of arbitrators by industries would have been out of the question, and where the sacredness of property rights in conflict with personal rights was no legal tradition.

Wherever compulsory arbitration becomes possible as a last resort the sense of responsibility is weakened, because it tends to displace conciliation and to shift the emphasis to the authoritarian decision. In Germany voluntary arbitration de-

clined because it was considered as merely preliminary. In Australia and New Zealand conciliation became neglected and the court became the important factor. The reason for this tendency is that the parties which have a chance to get more by state intervention than by using their power find it easier to shift responsibility to the arbitrator than to rely on their negotiations. Or they prefer to leave to him the responsibility for an unwished burden. Compulsory arbitration, therefore, destroys the wish to come to an understanding. The contestants struggle not for understanding but, as a German workers' paper said, for the soul of the arbitrator. For tactical reasons they demand more than actual necessities require; the representatives no longer discriminate among the demands of their followers. They lose any inclination to make concessions, lose their understanding for what is economically possible. The arbitrator finally may find no other expedient than to split the difference, to grant one half of the claim to each party. When this becomes the general practice the parties will understand very soon that they have always to demand double as much as they intend to get in order to get what they want. The splitting of the difference acts as a direct incentive to continual agitation and unrest, since the greater the number of claims brought before the courts, the more the claimants are likely to get.

Thus while conciliation and voluntary arbitration educate the parties to a better mutual understanding, to a modifying of prejudices and preconceived notions, and strengthen their sense of responsibility, compulsory arbitration increases antagonisms, saps the fundamental strength of unionism, weakens the sense of responsibility for a fair adjustment of conflicting interests. It violates the democratic principle that the groups themselves should arrange their own affairs and that freedom can be preserved only when the individual and the group exercise their responsibility toward society.

But it is necessary to make one important reservation. Democracy can go its ideal way of leaving decisions to the self-government of the groups only so long as the strength of the parties does not differ so much that one group is too weak to fight successfully for its standard and would become completely destitute, and only so long as class war is not strong enough to make agreements impossible. In the one case the graveyard calmness of industrial peace would veil the subjection of one party; in the other the struggle of all against all would become so destructive that the cry for dictatorship would arise. In these cases the democratic state must protect the weaker group and the community. It may do this in very different ways. In finding them out it has to try to overcome the dilemma of disintegration by fighting or of transformation into a *Ständestaat* of occupational representation. It has to steer its course between the Scylla of veiling exploitation with the fiction of neutrality and the Charybdis of bringing about its own disintegration by the transfer of its power to one or both classes in the conflict.

Conciliation and arbitration are not the solution of the industrial conflict, because they do not deal with it at its source. They are palliatives. And yet they are more than that, because in showing the lack of integration in the processes of distribution and production they prepare the ground for gradual change. The aim of this change cannot be fixed by democracy in so far as it is merely a form of government. But in going back to the great ideas which once inaugurated the technique of democracy, in taking it as an attitude toward life, a standard for the new construction may be found, a standard based on ideas of equality and justice and the dignity of man.

Whether or not this leads to abolishing capital as an independent power by identifying it with the common interest, democracy as a government by consent may at least be relied upon to serve this common interest. In the struggle concilia-

tion and arbitration are essentially instrumental, as they help to remove human blindness to matters of significance in other lives. They replace force by reason, an attitude of antagonism by an attitude of confidence.

## 5

## MONOPOLIES AND THE LAW

*By Rudolf Littauer*

OPPONENTS of the existing anti-trust law seem to put far too much emphasis on its economic significance. Economists attack the law by showing the futility of enforced competition in the presence of the technological necessities of industrial integration. Attempts to curb capital concentration are held to be mere economic reactionism. Business co-operation is shown to be inevitable as the result of overhead costs and over-capacity. But only a few steps back from the present suffice to reveal the fact that arguments of this kind only pauperize the discussion. Anti-trust laws are more than mere economic measures for the enforcement of competition in the interest of consumer and competitor.

"Monopoly," one of the basic terms of the Sherman Act, is an old popular term; its present-day use by economists as denoting some type of dominating position over the market does not at all cover the whole field of its meaning. It retains a memory of the fight of common law courts for the rights of the people. Its origin lies in the great struggle for liberty of religion waged between the English king and the Non-Conformists during the seventeenth century. The king and his prerogative courts, star chamber, privy council, and high commission, extended the religious struggle into all fields of social life. Any measures, economic measures among them, were taken against dissenters. Any favors, monopolies among them,

were granted to reliable persons. Thus the desire for freedom of religion contributed to a strong and ardent demand for personal liberty in general, for the indisputable rights of the individual as against the state; and these rights, as a consequence of the economic measures used by the king, expressly included the right to pursue one's trade and to remain free from the oppression of government-granted monopolies.

Since that time monopoly has denoted something highly dangerous, something insidious and oppressive to the political and social organization of the country. It is true that for the last thirty or forty years the courts have mostly shrunk back from taking monopoly in this broad meaning. Often they have contented themselves with considering only the economic problems, the curbing of profiteering and of unfair trade practices. Monopoly in its character of an oppressive economic power, the illegality of "mere size," have been beyond the consideration of many judges. Meanwhile, since anti-trust laws were first enacted, times have greatly changed. It is no longer as it was then a question of merely a few trusts, objectionable primarily because of the predatory practices by which they had acquired their power and were working havoc with the social order of their time. Today almost half the wealth of the United States is controlled by some two hundred corporations,<sup>1</sup> and these corporations have established their power quite legally without brutal practices by the mere collection of capital through the elaborated techniques of present-day corporate financing. This situation obviously goes far beyond the limits of a consideration of unfair trade practices and profiteering price policies. Political and social problems of enormous consequence have arisen, and no one can suppress doubts as to whether either political or economic democracy can be compatible with such conditions. As long as they

<sup>1</sup> Berle and Means, *Modern Corporation and Private Property*, 1932, p. 18 ff.

exist government by elected authorities and just compromises between strong and weak social groups may be difficult to achieve.

Logically three ways are open for a solution of these problems: revolutionary measures by force or by legislation; administrative regulations; or prohibitive measures by the judiciary. Objections to the first two ways are obvious; they might lead America into the turmoil in which European countries have been plunging, one after another. Therefore, in spite of their present application as laws merely for the enforcement of competition, it seems worth-while to reconsider in the light of present-day situations the possibility of using the existing types of anti-trust laws as a weapon for dealing with the much broader situation caused by the conflicts between economic powers and government.

## II

America received the common law from England, but its social conditions and also its political ideologies were very different from those prevailing in England. Jefferson was an outstanding representative of these differences. He was opposed to the capitalistic development of the country, a development which was far advanced in England during his time. The idea of letting business and industries have a free hand to increase the national wealth, as it was expressed by the English economists of Adam Smith's time, was alien to him. His idea of the best order of the world was derived from his origin and his experience as a landowner. The small self-confident farmer, secure in his economic resources, was the material which he wanted to educate and to form into the basis of American democracy. Industries create dependents and "dependence begets subservience and venality, suffers the germ of virtue, and presents fit tools for the designs of ambi-

tion."<sup>2</sup> The world outlook of the Jeffersonian democrat was therefore very easily connected with the individualistic traditions of the English revolution of the seventeenth century as expressed in the anti-monopolistic laws of that time.

In early nineteenth-century America this anti-capitalistic spirit found expression everywhere. The fight for the extension or curtailment of federal powers, and opposition to the central government's fiscal and banking policies were the pivotal points of this development. For the future history of the anti-trust laws the reaction of state governments to the introduction of the corporate device into economic life was of main importance. Prior to 1789 there existed in the United States some fifteen corporations; by 1800 their number had increased to about 335. With the exception of six they were not at all industrial enterprises but were formed for some local public purpose.<sup>3</sup> Corporations of the modern type, obtaining their capital from the general public and developing a certain degree of domination by the managing group, first grew up when the railroad lines began to extend toward the west, but they did not enter the industrial field until after the Civil War.

During all this time the general attitude of the state legislators, who were the grantors of corporate franchises, was one of extreme precaution and suspicion. Of course small manufacturers and traders who were envious of their more powerful competitors played their role in influencing the legislator. But, more important, "incorporation for business was commonly denied because of fear, fear of encroachment upon the liberties and opportunities of the individual, fear of the subjection of labor to capital, fear of monopoly. . . . There was a sense of some insidious menace inherent in large aggrega-

<sup>2</sup> Notes on Virginia, quoted from Charles Beard, *The Economic Origins of Jeffersonian Democracy*, 1915, p. 424.

<sup>3</sup> Berle and Means, *Modern Corporation and Private Property*, p. 11 ff.

tions of capital, particularly when held by corporations."<sup>4</sup> This attitude was not only what one would call today a middle-class reaction, that is to say, it was not only the opposition of the smaller entrepreneurs who would suffer a personal loss from the establishment of large-scale enterprises; it was also a vivid reflection of the Jeffersonian tradition which could not overlook the black side of industrial development. The hope of American democracy rested upon a large layer of small and independent people. Corporations would take trade from these small men and would increase the number of dependent workers.

Of course once the railroads proceeded to open up larger markets the urge for large-scale production became irresistible. After the Civil War and after the opening up of the Mississippi Valley industrial capitalism had come into existence and what was done could not be undone. There was a slow disintegration of all legal safeguards against the establishment of new corporations and an increase in size and activities of the old corporations. The scholarly investigations of Berle and Means have vividly demonstrated how the courts removed step by step the limitations upon the amount of corporate capital and upon the corporate purposes, how they permitted the managing groups to dispossess the shareholders in the interest of continued capital increase and self-perpetuation of the corporation, how corporate financing became a means of abolishing majority control. Within a few decades the preventive measures of corporation law were entirely broken down; large corporations had become a reality.

The American development was much more violent than that in other industrial countries. From the very beginning huge concentrated enterprises sprang up and were able to exercise their power over the market. The consumer was exploited; a less energetic and less powerful competitor was

<sup>4</sup> Brandeis, J., dissenting in *Ligget v. Lee*, 288 U. S. 528, 548 (1932).

killed off in ruthless campaigns. Public resentment against these predatory practices arose throughout the country, directed first against the railroads. After the eighties, however, a new group of big business made itself known. Standard Oil invented the application of the trust device in the field of business organization, thereby further increasing and concentrating the powers of corporate management. The oil trust and its imitations, the whiskey and sugar trusts, became the public enemies. When the railroad problems were brought a few steps nearer solution by the Interstate Commerce Act the fight concentrated upon Standard Oil and its followers, initiated by a number of state laws against the employment of the trust device. Thus the development finally arrived at the first anti-trust laws. The great corporations answered by replacing the trust device with other techniques that brought about the same legal results. By the end of the nineties popular reaction demanded national regulation of the problem. The party platforms of the presidential campaign of the year 1888 used vigorous language against the business combinations. As an authoritative contemporary reports: "All who recall the condition of the country in 1890 will remember that there was everywhere among the people generally a deep feeling of unrest. The nation had been rid of human slavery, fortunately as all now feel, but the conviction was universal that the country was in real danger from another kind of slavery sought to be fastened on the American people, namely, the slavery that would result from aggregations of capital in the hands of a few individuals and corporations controlling for their own profit and advantage exclusively the entire business of the country including the production and sale of the necessities of life."<sup>5</sup>

This was the frame of mind which resulted in the creation of the Sherman Anti-Trust Act. Consequently one thing

<sup>5</sup> Harlan, J., dissenting in U. S. v. Standard Oil, 221 U. S. 83 (1911).

seems to be clear from the outset. The Sherman Act was not, as has often been presumed, devoted merely to the realization of one distinct economic theory, that is, the enforcement of wholesome competition. At the time of its enactment economic theory was of course highly influenced by the Manchester school, and both the party platforms and also Mr. Justice Harlan's testimony expressly referred to the Manchester doctrines. It seems equally clear, however, that this statute was an organic outgrowth of the long Anglo-American tradition against oppressive economic power. The year 1890 was not far removed from the times when corporations had been held down because of their anti-democratic consequences. The generation that had fought against corporations was still alive. The Jeffersonian political tradition was the creed of the greater part of the nation, and historical texts and law books continued to tell of the violent attempts of English courts and Parliament against monopoly. The Republican platform spoke of capital combinations and their arbitrary powers rather than of restraint upon competition. More strongly Harlan accused the capital aggregations of slavery and of controlling the entire business of the nation. Certainly the law was intended, among other things, to keep up the regulative factor of competition on the market, in which there was a general belief at that time. But the actual popular incentive for the legislation was not economic theory; it was fear of the evils of uncontrolled and ruthless economic power. Not merely the protection of the consumer from excessive prices, and of competitors and customers from unfair practices, but also the common political and social sentiments of the whole nation were at stake.

## III

The interpretation which this new law found in the hands of the Supreme Court is famous for its lack of consistency

and for the court's failure to evolve the characteristics of the prohibited "combinations in restraint of trade" and "monopolistic acts." The first decisions did not deserve such criticism. Judge Taft's holding in the famous Addystone Pipe case prohibited, under the act, any contractual arrangements among competitors of the kind that would be called "cartels" on the European continent. His reasoning is immaterial; it followed the simple techniques of historical interpretation and conceptual jurisprudence. His policy was equally simple; he wished to enforce the theory of free competition as the regulative factor of the market. Since this decision any type of cartel has been illegal in the United States.

The difficulties for the courts began, however, when in the Northern Securities case the problem of "tight-knit" combinations, that is, combinations by capital concentration, came up for the first time. It had been easy to pronounce the invalidity of "loose-knit" contracts that seemed to be against the policy of the act. The consequences of such a judgment appeared to be plain. From that time any concerted action upon the market by the former independent parties to the cartel would be prohibited; the entrepreneurs would have to go on independently. But it was another thing to command the disintegration of financial and technical units. In practice it might be possible to accomplish it, and in fact it was possible, as several later cases proved. But of course it was impossible to maintain a position parallel to that of the Addystone Pipe case, prohibiting any holding company, any merger and any interlocking of capital participations merely because they eliminated competition. Technical progress depended to a large extent on industrial integration. Completely prohibiting capital concentration meant prohibiting industrialism, and neither was this possible nor was it desired by anyone. The question was only what type or what degree of capital concentration

was to be condemned. And here the way of the court became twisted and without a clear direction.

A line of several important cases lies before us. Their common basis is a restricted group of criteria that were employed to ascertain the goodness or badness of a trust: the percentage of control which it exerted over its industry, the vigor of the remaining outside competition, the possibility of new competition, the manner in which the trust exercised its power over the market, its attempts to raise prices, predatory practices against competitors, and the like. These were the main topics of discussion. They all considered the combination from the point of view of its effect upon the market. More general social and political relations seemed to be of no decisive importance for the application of the law. But of course the written opinions of the court never tell the whole story. A differentiation of the cases on the basis of the facts rather than the arguments (as in Handler's excellent study, "Industrial Mergers and the Anti-Trust Laws," 32 *Columbia Law Review* 179, 1932) seems to indicate a law behind the law; other factors than those named in the decisions seem to have been decisive.

It seems certain that the court used the Sherman Act for broader purposes than the mere enforcement of free competition. In cases like the Northern Securities, the Union Pacific, the Southern Pacific, the Reading Anthracite, there seems no doubt that the decisions aimed at more than the destruction of a market domination. The court clearly disapproved of the existence or exercise of economic power in other social relations than those touching the market.<sup>6</sup> Such decisions

<sup>6</sup> An attempt to show what single factors have actually been decisive in these cases would be futile. Some are obvious: economic power in the hands of railroads seems to have been considered especially dangerous. Other factors may be easily suggested, without, however, any possibility of proof. In this connection see Handler, *loc. cit.*, "If the World War is partially accountable for the Steel decision, perhaps we should look to the coal famines of 1917 and

were a continuation of the traditional popular attitude of suspicion and fear of capital combination as something dangerous to the whole structure of social life. The doctrines of free competition, from which the arguments of the court were taken, fitted the actual decisions only partly and they disguised and distorted the main issues. They let the court reach its results by intuition rather than by rational considerations.

## IV

It is necessary now to digress for a moment and, taking a look into the field of jurisprudence, consider what a legal decision is. It is the solution, according to rules of law, of a conflict of social interests in a certain actual situation. In private law to a large extent such rules exist; they are provisions referring to an abstract typical set of facts, prescribing which of the interests that are at conflict in that typical situation should prevail. When there have been ascertained the essential characteristics of the type to which the rule refers, the solution of the given actual case follows from that found for the typical situation.

This process becomes complicated only when a case comes up for decision that does not fall under any of the types which have been elaborated, or when changes in social life have made the untypical event typical and the rule built upon the old type irrational. In such cases the judge has no authority to turn to, and may find himself compelled to solve the case on his own authority. If he does so his judgment will nevertheless have to be more than a mere word of command based upon the powers vested in his office. He has to render a legal decision, and a legal decision presupposes the application of a general rule. The judge, therefore, cannot but assume

1919, with the widespread sufferings from which not even Supreme Court justices escaped, for an explanation of the court's severity in the coal cases." The rest would be mere guesswork.

the functions and duties of a legislator. He has to create a new rule that fits not only the case before him but other comparable ones that may come after it. He has to consider the typical situation and to weigh the typical interests at conflict which he can see behind the case, and he must refrain from looking at the accidental features which it has assumed. Only a decision that declares these typical characteristics of the case to be material, and that disregards other characteristics which may be decisive or irrelevant in all future cases, is a legal decision. Therefore only the application of a rationalized rule is judicial administration.

The contrast to judicial administration is the administrative command. Such a command is based on the weighing of interest in the light of the whole situation of the day, without any limitations as to what has to be taken into account so long as the command serves the legitimate purposes of the commanding authority. It is a weighing of advantages and disadvantages of an actual case, in all possible social respects, according to certain measures of what serves the common good.

In the light of these reflections what did the court have to do when it set the Sherman Act into operation? The terms of the act were very loose. There were no characteristics of "restraint of trade" or "monopolizing" mentioned in the text; the legislature had left to the judges more than the mere task of applying the rule to the cases. Therefore the court itself had to elaborate the definition of those combinations that were to be dissolved under the act. As already seen, one rule was soon found and formulated, the rule which condemned the contractual elimination of competition, the forming of cartels in trade or production. A line of cases originating in the Addystone Pipe case demarcated step by step the characteristics of such agreements. Untypical cases were eliminated; a distinction from looser forms of co-operation was found. The court saw the typical conflict that arises where

there is cartelization. It weighed the interests involved, those of consumers, competitors, labor or other social groups, or of the community as a whole. It thereupon thought it most desirable to prohibit any cartel. This was a combination of judicial and legislative functions as they can be found anywhere in judicial administration. Whether the legislative policy of the court was wise or not, whether it was effective, and whether it ought to be overthrown today, are not our concern at present.

When it was confronted with capital combinations the court had to go another way; here an outright prohibition had already proved impossible. The Sherman Act came at the end of the nineteenth-century development of American corporation law. Its meaning could only be, and proved to be in the opinion of the court, that capital concentration in general had to have its way and that it had to be prevented only in specific cases. Consequently the problem of distinguishing between good and bad trusts came up, and the court was faced with the task of developing a rule as to what constitutes a bad trust. As we have already seen, it failed in this task, and it was bound to fail, for the reason that the definition of a bad trust is no legal decision, that is, no matter of setting up and applying legal rules. It is of necessity an administrative command, whether or not it issues from a court and however much it may be attempted to clothe it with the dress of a judicial decision.

An analysis of the nature of the disputes over the dissolution of trusts will prove this contention. What are the interests involved in such a dispute? Which group is to be protected by the action of the court? Is it the consumer? If it were so the court could have contented itself with prohibiting combinations that raise prices, or control a certain amount of the supply, or try to suppress outside competition. Is it the competing individual? In that case the court could have easily set

up a rule prohibiting boycotting concerns, or those that indulge in predatory practices, or combinations beyond a certain size in specific fields of business that ought to be reserved for the individual entrepreneur. Is it labor? The court could have declared that combinations which hinder the formation of strong trade unions and refuse to bargain collectively should be outlawed. We could continue this line of questions and answers indefinitely. The fact remains that the purpose of the act was never exhaustively prescribed: it could be contended that the act was meant to protect the distributing trade from being eliminated by powerful producers; that it was intended to protect investors from the speculative excesses usually connected with the formation and expansion of huge concerns; that in the application of the law consideration could be given to the question of whether an enterprise has tried to counteract the government's policies in matters of national importance such as foreign politics or national defense, monetary reforms, export problems or labor questions, and also to the question of whether the combination financed lobbies and mass propaganda, or exercised pressure for political purposes on its employees and customers. In fact it seems that the interests involved may eventually comprise any factor of the social life of the country, any economic problem, any question of policy that might come up in the continuous flow of the national life.

The important point is that the phenomenon of economic power is not dependent on specific methods of exercise or specific forms of organization; it does not serve specific purposes nor is it directed against specific interests. Consequently there is no specific type of trust of which the existence or the activity could generally be called either dangerous or innocuous. In every case the good or bad consequences of the combination can be appraised only against the background of the whole situation of the nation's internal and foreign conditions,

of the specific circumstances in those fields of business over which the trust exercises its influences, of the immediate and remote consequences which the existence of the trust or its dissolution may have upon all these factors. In other words, the trust can be defined only as any capital combination that through its economic powers enforces a policy of its own within a sector of the social life of the nation, and its goodness or badness can be judged only by a valuation of the momentary desirability of this policy for the community. Such evaluation, to repeat, is an administrative and not a judicial function. The court exercises its power not in circumstances in which it finds that a legal rule applies to a certain typical situation, but in any kind of circumstances in which certain political ends seem to be endangered. The court, if it dissolves a trust, makes according to its own discretion a singular political decision referring to a unique situation.

## v

This conclusion, however, does not settle the problem. The question has to be reformulated. The court is not bound by rules, as in the case of a legal decision, but it is not free to do what it wants. Discretion is not arbitrariness. Political decisions have to follow certain political principles. Instead of looking for rules we therefore have now to search for those political principles which underlie the anti-trust law. For that purpose let us revert to the definition of a trust which we have just set up. The policy which a trust enforces in the social sector that is subject to its economic power is not the only policy which is pursued in the country. There are constitutions and basic laws, and traditions and convictions connected with them, that represent certain fundamental political principles of the nation. There is organized government, through which lawfully appointed and responsible functionaries administer various fields of social activity according to their

political opinion. These policies and those of the holders of economic power may conflict. The spheres of influence of constitution and government on the one side, and of economic power on the other, must overlap, for constitutional principles and government activities play their role also in economic life, while the influences of economic power do not stop at economic goals. All our previous considerations show that the political purpose of the Sherman Act is directed precisely at this situation: the act is to serve as an instrument for the delimitation of the sphere of influence of economic power.

Such demarcation can be brought about in different ways. One alternative would be that government should be made the master of the whole economic field and be allowed to regulate and restrict the activities of the trust wherever it deems it desirable in the pursuance of its economic policies. This would mean government supervision and regulation of big business. The other alternative would be that government should exercise merely a police power over the trusts, that is, only the right of interference, for the prevention of such activities of big business as would damage or threaten to damage constitutional principles, or government activities in those fields of social life that are reserved to government regulation.

Theoretically the power to dissolve trusts, which is granted by the Sherman Act, could serve either purpose. It could be used to compel obedience to the government as well as it can be reserved solely for the suppression of disorderly behavior. Present-day Germany, for example, uses the threat of dissolution, coupled with a power to reorganize dissolved units along new lines, to make cartels mere agencies for the economic plans of the government. But of course no extensive discussion is needed to convince the reader that the Sherman Act, which was written into the statute books at a time when no one

thought of planned economy, is far from subjecting enterprises to the policies of the central government.

The only possible solution is that the act vested the courts with a mere police power over trusts. In other words, the Sherman Act represents a policy which, though it refuses to have economic life regulated by a central authority, nevertheless does not leave the fate of society to the free play of allegedly existing rules of nature. The act is based on the policies of liberalism; it is a mandate to the Supreme Court to use the powers conferred upon it for the realization of a liberal economy.

For large masses of the American public this mandate, at the time of its creation, undoubtedly embodied great hopes for the solution of the problems associated with a growing industrialism. Whether the court has lived up to these expectations, and has performed its mandate in the spirit in which it was conferred, shall not be inquired into here. We need not be interested in the past. The body of existing decisions in the field is not "law" in the common sense, either technically or substantially. Technically all the existing precedents can easily be distinguished from any possible new case. No one can say which of the arguments employed in the precedents are the *rationes decidendi*, and which are mere dicta. The facts underlying the cases are always so unique that any previous situation would be materially different from the situation in the case at bar. Conditions in the shoe industry and their effects upon the national economy are materially different from those in the steel industry or the harvester industry. What fits the situation in 1921 need not do so in 1929 or in 1932. What holds true for one particular enterprise in all its surrounding geographic, economic and social circumstances might be entirely wrong in any other situation.

This technical impossibility of deciding cases upon precedents is but a symptom of the substantial peculiarity of the

anti-trust law. It is administrative law. The courts that administer it are not, as they usually are, authorities installed for the determination of a dispute between two private citizens. Here the law has made the courts active agencies, enabled them to interfere in social life in the public interest and to bring into reality those policies which are embodied in the mandate given to the courts by the law. The essence of such a procedure is that the parties concerned have to yield to the demands of a more general welfare than their own.

The justification of the decision arises every time anew out of the needs of a particular socially dangerous situation. Here the past cannot bind the present. Only what is thought to be most desirable for the pursuit of the purposes of the act in the light of the unique situation can rule a decision. Previous opinions about political economy, as they existed at the time of the enactment of the Sherman law, or as they were expressed in decisions rendered in 1911 or in 1921, are of only very relative value for the solution of present-day problems. Times have enormously changed; tendencies which previously might have been barely observable today impose themselves upon everyone's attention. Conflicts which for a long time had not been allowed to pass the threshold of consciousness have become brutal actualities that can no longer be overlooked. Perhaps the court in 1921 was right in considering that liberal principles demanded action merely where the consumer was exploited or the competitor was treated unfairly. Today is another day. Liberal policies of our time find much greater and much more potent obstacles to their realization, and consequently they may demand much farther reaching measures on the part of those who are charged with their pursuit. Above all other problems there is one which has grown to such dimensions that any attempt to discuss it in the terms employed in the old cases is plainly inadequate: the political implications of economic power, the interference of

big business in the political organization of the country, the pursuit of autonomous and irresponsible social policies within the large economic empires. All these situations need reconsideration in the light of present-day experience and present-day necessities.

In concluding it may be said that refusal to accept the binding force of precedents in the field of the anti-trust law would not in any case vest the courts with an arbitrary power to decide cases according to their own pleasure or their momentary political opinion. What is elaborated here is only the proposition that the law does not define the factual situation in which it will find application, and that the power of dissolving a combination may be used against any danger to democratic government and society, however its appearance may change. The law does prescribe which are the principles of democracy that the Sherman Act may be invoked to defend. Here past decisions of the Supreme Court might very well rule over its future actions. Here directions are given for predicting the law in a particular case. Here will be found safeguards against partial administration of justice. What judges like Brandeis have said about the traditions of American liberalism will be of decisive importance for the application of the act. But the application of these principles to bygone situations and to wholly different economic and political conditions should be divested of its binding character.

## PUBLIC UTILITIES UNDER DEMOCRATIC GOVERNMENT

*By Hans Staudinger*

IN RECENT years there has been a noticeable tension between privately owned public utilities and the federal government, and the reasons for this tension are often obscured rather than clarified by statements made before the public. But one fact is clear: the disagreement does not concern the question of state interference as such. The representatives of capitalist interests and, even more, the advocates of old line liberalism, agree fully that regulation and control are necessary. It is only the form and extent of such interference that are in dispute—the means of control and regulation (reorganization of commissions, the question of ownership, the establishment of yardsticks); the future line of development (the comparative merits of federal and state activities); and finally the limits to state interference (as in control over investments and in the compulsory integration of private companies).

Before discussing the relationship between public interference and the historical principles of political democracy and economic liberalism, it is worth considering briefly what is the particular nature of public utilities, that even their own representatives grant the necessity of state control. "Public utilities" was originally a legal concept, comprehending all those enterprises subjected by law to special control and regulation. Of these, communication and transportation enter-

through granting large subsidies. The real motivating force was the desire to strengthen internal and external economic power and to guarantee the development of military power. In the United States as well as in Europe public utilities meant to the governments not only a direct fiscal asset but also a means of increasing taxable wealth. Thus competition, both economic and military, among the various political units greatly increased governmental activities in public utilities.

These direct public activities were not intended to establish an economic system based on public ownership of the means of production. On the contrary, the political units were eager to increase private enterprise, and public participation in the utility field served to stimulate the private capitalist system. Certainly capitalism did not develop alone, of and by itself; competition between national political units, in the military as well as in the economic sphere, has through the centuries and in all the countries given an essential impetus to the development of capitalist economy. In the upward struggle of capitalism an important element was this public fostering of the old line utilities.

Even during the short period of purely liberal capitalism, when governments tended to withdraw from business, many political bodies did not completely give up their activities in the realm of public utilities. On the contrary, countries which sought to develop their own industries in strong competition with the outside world nationalized certain public utilities in order to open up all parts of the country and to facilitate the exchange of agricultural and industrial products within the country; examples of this tendency are the nationalization of the Prussian railway system in the Bismarckian era and the public building of canals to aid the westward movement in the United States.

Thus there developed a broad range of what may be called *positive* governmental activities in the field of public utilities.

But why did private business need state participation or subsidies or even have to leave certain utilities in the hands of public management? The chief reason was that in many countries during the earlier periods of capitalism private initiative was not yet developed; even in the present time private initiative often fails in actualizing the potential progress, particularly in times of depression. Also, it was frequently the case that only public bodies were in a sufficiently strong creditor position to furnish such large amounts of capital as were required. Finally, the financial risk was often too great for private enterprises or it was altogether incalculable because of the general economic and social purposes intended; often, too, returns could be expected only in the distant future after the country was opened up.

The gradual penetration of political democracy had a special influence upon the management and even the aims of publicly influenced and owned utilities. The existence of parliaments strengthened and gave better representation to the idea that government should be of general service to the public, and thus the responsibility of the state toward the general public was increasingly stressed. Even during the time of absolutism governments had begun to understand that in such enterprises as canals, grain elevators, wharves and the like, fees and fares should not only meet the egoistic fiscal demand for higher revenues but should be made to conform to the purchasing power of the economic groups that were to receive the benefits, and also that the burden of the uncovered costs of these institutions and their administration should be carried by the taxpayer. Eventually, under the influence of democratic parliaments, most countries went much further and tended to give the benefits of publicly owned utilities, such as transportation facilities, not only to certain interested groups but to the people as a whole, even to the last inhabitant of thinly settled districts. Moreover, rates and fees were

adapted to the demands of the significant groups of voters, and later to the masses. With the inclusion of the lowest income groups in political democracy parliaments tended to give greater emphasis to the social welfare of the workers in the enterprises under public ownership or administration.

Indeed the more insistently democracy influenced governments to proceed according to social demands the more bitterly did reactions and repercussions develop within the political democracy itself. There were intense debates in the parliaments of all countries about the government's activities, experiments and adventures in public utilities. The history of the early railway development in the United States is full of such struggles. Political influences urged the states to open up the interior by constructing railways; large obligations were assumed, but the revenues did not even cover the interest charges. Often the bonds had to be repudiated, and the whole credit reputation of public bodies was wrecked by their experiments, most of which had been, nevertheless, of great importance to the general economic development. It was again in the democratic forum that the failure of the state in business was condemned; public administration was criticized as making the taxpayers bear the burden.

Thus positive governmental activity in the utilities gave rise, especially in political democracies, to an unavoidable conflict between two opposite aims: on the one hand the stimulation of economic activity and consideration for social welfare, and on the other, protection of the interests of taxpayers. Parliamentary groups were inclined to lay emphasis upon general economic and social considerations in government investment and management; at the same time, representing the citizens as taxpayers, they championed the private business point of view, contending that publicly owned and influenced enterprises should not artificially stimulate the demand by adjusting rates to the purchasing power of the users,

but should calculate rates on a cost basis, including interest on the capital and amortization. Often they even demanded surplus profits for the treasury in order to relieve the taxpayers and to stimulate private business, contending that by this means the general welfare could be promoted.

These contradictory tendencies prevailed in the political democracies throughout the time of liberalism and the subsequent period of monopoly capitalism and have continued up to the present. In the period of growing liberalism the taxpayers' point of view became very strong, with the result that private economic principles superseded general economic considerations, leading to more and more restriction of positive public activities, especially public ownership, in the field of the utilities.

### III

The positive activities of the state were more limited in those countries, such as the United States, where independent bureaucracies were lacking and where the political influence of the army was weaker. Only the postal service, highways, water-works and canals—all traditionally accepted public utilities—formed the unchallenged domain of the state's economic activity. "Modern" public utilities—such as gas, electricity, telephone and telegraph, railways and bus lines—were for the most part left to private initiative and private investment. In its purely liberal period democracy in these countries permitted an unrestricted expansion of private capitalism in the "modern" utilities.

The tremendous capital investment in these fields strengthened, however, the monopolistic position of public utilities—a position which had already been promoted by technical conditions—as over against all consumer groups. This aroused public opinion and forced legislatures to new *negative* measures controlling and regulating these private utilities. The

negative interference of the state was stimulated not only by the steadily increasing importance of monopolies, holding companies and the like, but also by the extension of the vote, which widened the base of democracy—these changes in quantity entailing, of course, changes also in quality, that is, changes in the whole nature of the political structure and its processes. In the United States the demand for stricter control and regulation came from the farmers (the Grange) and from the masses of retail consumers. It was always the liberals, supported by "good" conservatives, who led the fight against Big Business and its economic, social and political dangers. In Europe too the demand for stricter state interference came from groups which upheld the liberal capitalist ideology: the old middle classes, the craftsmen, the small peasantry as well as the landed gentry, the small free entrepreneurs and also the representatives of industries in which competition still prevailed; these began to be joined also by certain groups of organized labor.

Thus while the state's positive activities in public utilities had been restricted by the coincidence of rising political democracy with the upward striving of capitalism, it was later the broadening of political democracy, supported by the old liberal ideology, which turned the public against the growing private utility trusts and led to a negative interference of the state, in the form of supervision, regulation and control.

What were the various means of exercising this negative interference by the authorities?

In the early development of private utilities there was a continual attempt to break down the position of local monopolies and re-establish free competition by permitting several companies to serve approximately the same area. This conformed with the philosophy of economic liberalism, but as a practical policy it led for the most part to complete collapse. It was, for example, technically impossible for several gas

companies or several trolley car companies to use the same streets. Duplication of capital investments led necessarily to a lowering of the standard of quality, to technical backwardness and to increased rates, even where the companies in their cut-throat competition failed to pay dividends and to cover depreciation.

Very soon most countries began to attempt a permanent supervision by inserting regulating provisions in the franchises. It was thought that the best means of control was to provide short-time limitations of contracts in order to permit the adjustment of rates and conditions to later changes in costs. But these provisions functioned unfavorably in another direction; as a result of the short-time contract the companies were unable to modernize their equipment periodically, or, by amortizing too rapidly, they maintained excessive rates. Then too, the limitations of franchises to certain territories, as effected in England, hampered for decades the technical progress which could have been attained by large-scale production and integration. In improving conditions and rates in the interest of the consumers the franchise system in general achieved only moderate success and often failed entirely where local authorities arrived at a bargain with the companies, granting concessions which functioned more or less as a special excise tax.

In the further development quite different types of public control and regulation were built up in the various countries, depending upon the historical and political situation of the state, upon the degree in which capitalism was protected by legislation, upon whether and in what direction legislation was subject to interpretation by the courts. Thus in England, with its centralized form of government, Parliament sets down the rules of managing public utilities. The procedure may vary according to the different type of utilities, but in general it is attempted, through the independent bureaucracy, to exer-

cise a rigid control through supervising utility investments and through limiting dividends on the basis of the actual investment in the concern. In addition Parliament has often, though not consistently, fostered public ownership by local bodies as a means of preventing monopoly and of influencing neighboring private monopolies.

In the United States regulation and control have been effected for the most part through commissions, state and federal. Their decisions, however, arrived at after long and expensive investigations, have frequently been nullified by the courts. The courts, often unwillingly and hesitatingly and only under the pressure of public opinion, have permitted a very limited and often delayed intervention with regard to rates and prices.

In Germany the public interest was protected by extensive municipal, state and federal participation in public utilities. Mixed companies (combining private and public ownership) are a special continental type of organization presenting a compromise between private capitalist interests and those of the general public. There has been an increasing trend also toward outright public ownership of utilities—strengthened sometimes by the fiscal interests of public bodies. Public ownership or participation can be the most consistent economic form of regulation, and the threat of its increase can be a salutary regulative influence even on private companies outside it.

All these various means of controlling and regulating, even when they turn toward public ownership, have in common a desire to protect both the capitalist economic system and the growing masses of consumers from being dominated by capitalist monopolies. Thus the impetus for government interference comes from the representatives of the free competitive economic sector as well as from agriculture, labor and the unorganized masses of ultimate consumers, whose resistance,

though intangible, is nevertheless a powerful element in public opinion. Public interference in regulating and controlling the utilities has proved, paradoxically enough, to be an essential expedient in a system of economic liberalism.

In political debates private utilities have recently contended that sharper regulation and control, above all public ownership, is a radical proposal of socialist ideology. It is true that even before the war it was in many cases the labor minorities that voted for municipalization and increased control of utilities. As labor representatives their interest lay naturally in strengthening through public ownership the public influence upon the social conditions of workers in utility plants; as representatives of the masses they were interested in leveling rates downward, thereby lifting real wages. After the war socialists and trade unionists put nationalization and municipalization of public utilities in their platforms as an evolutionary program toward the final goal of socialism, using every step forward in this field as an election strategy. But the bourgeoisie, pursuing their own liberal ideals, and the conservative agriculturalists joined with them in working toward the same ends. The extraordinary postwar development in some continental countries, especially the growth of municipal ownership, was influenced by this combination of different ideologies working together against monopoly capitalism.

#### IV

Nevertheless, these political forces were of minor significance in comparison with the completely new tendencies in state economic activities which were created by the war and postwar periods in the whole field of utilities. The war enforced the use of national capacities to the utmost limit, and in every country proved the general necessity of further industrial and technical improvement, especially in public utilities. To provide for the new industries of nitrogen and alumini-

num new electric plants were established, using water power; the lack of coke led to the expansion of gas utilities; railways had to be extended and modernized; new shipping facilities had to be created. For all this permanent state guarantees and subsidies were required. The governments became the main support for the vital national demands and thus became engaged in the expansion of the productive forces. Once again the relationship of the state toward the utilities became positive, as it had been during the time of mercantilism and developing capitalism, but now under very different technical and social conditions.

Public bodies became the pioneers in technical progress, especially in the field of electricity. New applications of electricity laid the foundation for a complete change of agricultural methods. Also in industry there was conspicuous technological advancement in electrical methods, and small enterprises were enabled once more to compete with larger ones. The rate structure and the radius of provision became therefore of enormous significance to the general technical up-swing. Cheaper and more adequate rates could be developed only when there were large electric units, established in the best locations, using water power and coal, and interconnected so that the highest possible use of the plants and their reserves could be permanently maintained.

Such a process of integration can be carried out only by means of state interference. In the United States the scattered operating properties of powerful holding groups can be integrated in a rational economic system only by federal pressure. Countries which have to withstand an intensified economic and political competition have been forced to accept radical and far-reaching solutions; Japan, for example, has recently attempted to nationalize its electric utilities completely, in order to create a new unified and integrated power basis for its industrial system. Increasing nationalism, in short, and in-

creasing governmental interest in economic development, have given rise to a new type of positive state activities, concerned with long-time planning.

In most countries this process has met not only the outspoken resistance of private utilities but also, as in England and Germany, the resistance of utilities under local or municipal ownership. Federal interference, developing out of national necessities, arouses the opposition of anti-federal local interests. Private utilities have taken the part of the anti-federal public bodies and suddenly developed a fondness for control and regulation by local commissions.

It cannot be denied that such central planning activities can be carried out more easily—even though for more one-sided nationalistic purposes—under the forceful policies of fascist states than in those nations in which political democracy still prevails, where the great capitalist forces put serious difficulties in the way of nationally necessary technical improvements and economic reorganization of public utilities. But in spite of inevitable hindrances and enforced compromises democratic states are increasing their activities in this direction. In electric utilities England has partially nationalized its high tension lines, even though property interests in the production and local distribution of electricity have remained unchanged. The American public utility holding bill is directed toward the reform of capitalist management and toward technical, financial and organizational improvement, even though private ownership is unaffected.

In the policy of developing and exploiting natural resources, which in recent years has been followed by national governments all over the world, a centralized federal program in the interests of the nation as a whole operates in conjunction with the negative policy of regulating and controlling public utilities. In the United States the national conservation policy received a new impetus during the depression because of the

necessity of public works to strengthen purchasing power and to stimulate private industrial and commercial activities. But also the large dams, with their electric plants serving as "yardsticks," should help to influence the rates of private utilities in the direction of cheaper current and better adjustment to the purchasing power of the various types of consumers.

Certainly there is in governmental business activity in general a possible danger in political lobbying and in the pressure exerted by certain groups protecting their special interests. Financial and industrial groups exert a powerful influence upon the orders of publicly managed enterprises for construction equipment. Similar influences are exercised in private business—perhaps much more so and more frequently. But even a minor scandal in a government enterprise arouses the public against the whole system of the state in business. People believe that they are the unknown shareholders in public enterprises and are personally damaged by public losses. They ignore the fact that losses in the private sphere are also general losses.

Also, it cannot be denied that the party machines exert a restrictive influence upon business and technical management. Even apart from party favoritism the political apparatus itself is a hindrance to quick decisions in economic matters: the budget system hampers economic flexibility, and parliamentary discussions often postpone the necessary appropriations for carrying on the adequate economic management of public enterprises.

In recent years the establishment of publicly owned corporations independent of the budget (such as the state-owned concerns in Germany) or of independent authorities (such as the central electricity board in England) has restricted the influence of political parties and has assured sound economic and technical management, without neglecting entirely either the general economic purposes or the social considerations

that are incumbent upon public enterprises. Thus in the latest phases of government participation in utility enterprises there has been achieved a certain synthesis of, or at least a mitigation of the conflict between, the interests of the taxpayer and the general economic and social considerations. Expert business and technical management guarantees an economic administration, even though the achievements may not appear on the balance sheet as profits; in such enterprises a deficit may be justified if the policy that incurs it is reasonable and is pursued with a maximum of efficiency.

It cannot be overlooked, however, that in a democracy there is always a danger that powerful groups will try to bring one-sided pressure to bear on government activities in business, even when they take the form of these independent types of state enterprises. Capitalists and taxpayers on the one hand and labor on the other will stress their conflicting views on the management of public enterprises and on the policies to be pursued in extending the service. Even in countries with strong independent bureaucracies and well trained civil servants, it is not always possible to counteract such one-sided considerations, often fanned by strong winds of public opinion. This hazard, of course, is not peculiar to democracy. Group interests and group pressure exist even in fascist states—better hidden, perhaps, but for that very reason more dangerous. The role played by parties in a parliamentary democracy is played by the factions of a single party in the fascist state. In governmental business management fascism is superior only in dodging the issues and concealing the facts. It is exposed to much more arbitrary influences than is democracy, in spite of the fact that the technical economic problems of national integration can on the whole be undertaken more easily and perhaps even more successfully.

Notwithstanding the hesitation of doctrinaire liberals and the opposition of entrenched capitalists, under modern condi-

tions of life, political and social as well as economic and technical, integration of units and centralized governmental activity in the public utilities are increasingly necessary—necessary even for preserving the substance of liberalism and capitalism themselves. If the powerful forces of private capital, in order to escape further interference, should carry too far their fight against the activities of the democratic state they may find themselves subordinated instead to the fascist state and, under the shibboleth of a nationalistic policy, subjected to a much more stringent discipline. They would, as present fascist countries amply prove, cease to possess most of what might be called entrepreneurial responsibility, and would wholly lose their right, inalienable under democracy, of freely stating their case and appealing to the verdict of the majority for an equitable resolution of the conflicting interests they serve.

## AGRICULTURAL CO-OPERATION

*By Karl Brandt*

IN SPITE of the fact that almost a century of co-operation in agriculture lies behind us, it is not at all beyond dispute what may be expected for the future of agriculture from an intensified application of co-operative principles. During the cataclysm of the last depression some governments turned first to the co-operative idea in trying to bring about a revival of prosperity for the farmer. The Hoover administration, for example, tried to base its farm relief program on developing a co-operative system of better marketing. Other governments, such as Switzerland and Denmark, in their efforts to restore the purchasing power of the farmer, could rely almost entirely upon already flourishing co-operative systems and could thus avoid the organization of a new bureaucracy to administer farm relief. And there were states, such as Germany, which had encouraged agricultural co-operation since its earliest beginnings but, in tackling the problem of farm relief in the last depression, neglected almost entirely these well-developed co-operative systems and confined themselves to methods of state interference. In this discussion an attempt will be made to interpret the co-operative principle economically and to weigh the potentialities of co-operation in the future struggle of agriculture. It will be necessary to consider the concrete limitations of co-operatives as well as their central achievements. At a time when the co-operative movement is fre-

quently praised as the universal panacea for democracy the necessity of inquiring into actual experience cannot be over-emphasized.

The idea of co-operation is deeply rooted in the spiritual movements of the early nineteenth century, but it would be a mistake to assume that they are the direct source of co-operation in agriculture. With the rise of the nineteenth century and especially after the Napoleonic wars liberal economic doctrines and the ideas fostered by the French Revolution were beginning to disseminate a belief in the necessity of agricultural reforms. The liberal doctrine began to undermine the remnants of the feudal regime which had survived through absolutism, and it mustered the political forces which finally—after another century—ushered in large scale enterprises in European agriculture. In the agricultural history of Europe the early decades of the last century are marked by the various reforms through which manorial bondage and other less rigid forms of peasant dependence on landlords were abolished or at least distinctly limited. It was the belief of the reformers that the wealth of a nation could hardly be better fostered than by the liberation of the private initiative of all the farmers. The developing industrial revolution coincided with the application of natural science to agricultural production, and open-minded statesmen were convinced that it was necessary to adapt the underlying agrarian constitution to the new technical era.

We owe to Otto von Gierke the most comprehensive study of the roots of co-operation; he derives its origin directly from the Germanic tradition of the community and its ties. Gierke's interpretation has not been accepted by many sociologists but it furnishes at least the most provocative suggestion concerning the basic characteristics of agricultural co-operation. It places modern co-operation as a special type within the group of traditional human associations. Co-operative association

within the rural community was still flourishing during the Middle Ages and from then on it passed slowly into decay, but traits of it survived even in the beginning of the liberal era. The village community provided many links between the individual farms. The best example is the common land which had to be used for pasture and as a timber resource by all the farms as a group. No farmer could do without the use of this land. The farmers had to get along with one another and to be considerate in the utilization of their common resource. No selfish "competition" in the later sense of the word was permitted. Co-operation was the only possible loyal attitude. The same was true in building roads and drainage ditches, in keeping up the community school and the church, in maintaining dikes or fighting forest fires. Not only in emergencies of all kinds but in everyday business, the farmer was an integrated part of the community and as such had first of all to co-operate and not to "compete."

Such peasant farms began to be disentangled from their community ties by the new progressive ideology which originated in the French Revolution and was supplied with logical economic argumentation by Adam Smith and contemporary continental scholars glowing in the faith in evolution and progress. It was now supposed that those communal ties merely hampered creative private initiative. To make farms self-responsible, competing small enterprises not only were the duties under bondage abolished but the common land was dissolved and shares were attributed to the individual farms as their independent property. Most of the other duties toward the community, consisting of services or supplies in kind, were gradually supplanted by taxes and fees, while the administrative functions passed into the hands of paid civil servants.

With the growth of industries and cities, with increasing market areas and with all the crookedness and ruthlessness of early capitalism the small farmer found himself in an entirely

changed environment. He had to face rapidly changing economic requirements in selling his farm products as well as in purchasing industrial goods and farm implements. First of all he needed credit if he was to keep pace with the necessity of building up his small enterprise and of meeting the demand for more taxes. The distribution of agricultural credit through the channels of private banks proved to be expensive and always inadequate in volume. The smaller the farm the higher the interest that was charged. Wherever and whenever such conditions of great need and scarcity prevail, there are great opportunities for those who happen to have the scarce goods, and usury is the customary result. Usury in trading commodities and in lending money, extorting from the small farmer the narrow social margin he needs, has been one of the most powerful causes for the movement of agricultural co-operation, a century ago in continental Europe and the United States, and also today in India, China and other parts of the world where usury with annual interest rates of fifty per cent and higher are still common.

Great opportunities offered themselves in the growing markets, but deficiency of credit prevented many able farm families from using them. Exaggerated retail prices for everything that had to be bought, and minimum prices for farm products, bought in very small lots, squeezed the farmer's profit and often made toil under freedom more onerous than under the former despised dependence. In addition to all the other handicaps, the former feudal lords acted as competitors in the market against their former subjects. They competed, of course, under far better conditions, having on their side all the advantages of superior social standing, class consciousness, education and business experience. Aside from this human factor many objective conditions in the markets worked also in favor of the large scale farm. Modern means of transportation began to call for large lots of goods and to

require that commodities be carried to far away markets through the hands of wholesale merchants. Steamships and later on railroads brought wholesale trade from overseas.

Such conditions made the small farmer receptive to ideas of self-help, and when he heard of co-operation of consumers and co-operation for saving he had no difficulty in translating this concept into his traditional habit.

It is certainly a misinterpretation of the psychology of farmers, today or in former times, in Europe or in the United States, to assume that they are anti-social or stubborn individualists who refuse on principle to co-operate. An extreme individualistic and emancipated attitude has always been characteristic of the inhabitant of big cities, while the rural population, even in the ranching districts in the semi-desert, has a distinctly collective feeling concerning what one must and must not do as a member of the group. It can hardly be denied that farmers are suspicious of non-farmers, and that in general they do not easily take advice from others. This, however, is an inherited attitude of self-defense. If they should accept only a small part of all the advice so generously extended to them by experts and ignorants alike, they would quickly find themselves bankrupt.

Co-operative associations meant to the farmer merely a legal organization of what he had formerly done when a cow had to be slaughtered and the meat was exchanged among neighbors, the same procedure repeated when the others had to slaughter; this was co-operative organization for a permanent fresh meat supply. Now it meant working together for mutual benefit in solving marketing problems, or problems of making deposits or finding credit, or problems of using costly machinery or buying in wholesale lots.

What appealed most to the farmer was that the basis of the new form of co-operation was a doctrine of self-help which permitted him to avoid state protectionism or subsidies and

which at the same time enabled the smallest enterprise or homestead to participate in privileges otherwise accessible only to large scale business. By joining producers together for the purpose of large scale buying and selling, co-operation enabled the little producer to maintain his independence in the ownership of his means of production and in the operation of his farm.

Karl Marx and his early followers miscalculated the trend of economic evolution as far as it related to the small farm's capacity to compete. Marxian theory assumed that economic necessity would lead to the destruction or absorption of small entrepreneurs by the growing power of large scale concerns. This assumption was based on a misinterpretation of the possibilities in farm management. Agriculture has never succeeded with a highly specialized, cross sectional division of labor. Large scale farms as well as the smallest still use the same laborer for the major part of many different occupations; that fruit picking is in some places done by specialists is only an exception. Thus the small enterprise had fair chances to survive if its entrepreneur succeeded in adjusting himself, but it is well known that in agriculture the small enterprise has done much better than that. The family farm has vanquished the large scale enterprise wherever fair conditions and equal rights have been offered by the state, that is, where no feudal—or corporation—class privileges have interfered with equality of opportunity. This victory is based on the small farm's superiority as far as costs and quality of production are concerned, and on the efficiency of co-operative purchasing, marketing, financing and insuring. The advantages of co-operatively organized family farms cannot be more convincingly proved than by the dominant position in reference to quality standards and reliability of contracts that is held in the world's trade by Denmark in butter, eggs and bacon, by Switzerland

and Finland in cheese, by Holland in vegetables or by Canada in wheat.

It may be contended that the large scale wheat farm in the United States and Canada and that the collectivization of agriculture in Soviet Russia are proof that the economic trend is nevertheless, as in the Marxian prophecy, toward large scale production in agriculture. It is true that in some of the wheat districts of the United States, such as the Dakotas, and that particularly in the three wheat provinces of Canada—Alberta, Manitoba and Saskatchewan—the average acreage increased somewhat in the last decade. But these changes in typical specialized wheat-growing areas merely indicate that the family farms in those regions made the necessary adjustments to the new machinery of harvester-thresher combines. Although these enterprises are organized on the principle of hiring seasonal labor for the harvesting they still remain family farms. In Russia, however, family farms have been supplanted by large scale state or collective enterprises. The decision made by the Soviet government to abolish the family farm system had its origin exclusively in political, social and administrative issues. That purely economic reasoning would have led to an opposite course is easily to be seen from the Russian grain exports after a few years of Lenin's New Economic Policy, which granted a certain freedom of action to the individual farmer. Grain exports rose then to five million tons and alarmed the grain-exporting countries. Since the collectivization Russia has suffered from a deadly famine and has had great difficulty in supplying domestic requirements. Wholesale collectivization became unavoidable because of the stubborn resistance of Russian farmers against the Soviet regime. If the peasants had co-operated with the soviets they might perhaps have escaped the destiny of being collectivized. Another more technical reason for collectivization was that a centralized planned economy finds fewer problems of admin-

istration in a system of large scale agricultural enterprises than in millions of family farms

In what does the achievement of co-operative associations consist? Do they represent a superior economic principle which in itself makes for higher efficiency? To find an answer it is necessary to distinguish between agricultural co-operation and its unlike sister movement, consumers' co-operation. Different philosophies underlie both the strategy and the set-up of the two movements. The farmer of today may be said to occupy an intermediate level between entrepreneur and worker. He is an entrepreneur in his freedom of action and in his freedom from direct compulsion or subordination within the realm of production; he is a small capitalist as the owner of his means of production. But at the same time he is unlike the entrepreneur because as a rule he employs no one and exploits only his own labor or that of his family. Agriculture is the sector within the economic system in which prevail the independence of individuals and democracy in production. The farmers' co-operative movement, unlike the consumers', has had from its very beginning a distinctly liberal middle-class ideology. It is primarily the farmers' weapon for defending their independence, in line with the liberal conception of a competitive price economy.

Co-operation in agriculture has therefore no purpose of its own but is simply a means of balancing power in order to create conditions of fair play and free competition for the sake of better economy, a means of curtailing unfair margins or restrictions upon free competition. All modern states, in order to create or re-establish fair play and equal opportunity between the small individual producer and big corporations or monopolistic bodies, have granted the co-operative associations certain privileges, among them exemption from corporation taxes ranking highest. Such privileges are the more justified since there are important social benefits in the differential

rents created by co-operative associations. The advantages of these rents are usually not limited to the members, because outsiders also enjoy indirectly the benefits of improved competition.

Even when the economic function of farmers' co-operative associations is recognized there still remains the question of what the co-operative movement means to the farmers, and whether or not it involves any ethical values or anything that goes beyond material advantages. A glance at agriculture in countries with a co-operative tradition and with highly developed co-operative systems, such as Denmark, Finland, Holland or Switzerland, reveals that in addition to the remarkable strength of small farms as buyers and sellers, both in the domestic and in the world market, there are equally important ethical effects of co-operation, which are perhaps one of the roots of the economic success. Co-operation is necessarily bound up with the principles of mutual education and organized self-help. Wherever co-operative associations have been economically successful they have been able to initiate a spirit of genuine spontaneous "co-operation" among their members. Through the contacts they promote among members they inculcate attitudes of mutual responsibility and good neighborliness. They also contribute to a competitive raising of standards, a community morale, an *esprit de corps*. Since economic success depends largely upon the spirit prevailing within a co-operative association, there is no antagonism between the material aims and the ethical values. On the contrary, the material reward is available only to those who are good co-operators in the word's best sense. The immense importance which co-operation may ultimately have for a rural society which is exposed to inimical and even destructive forces lies in the fact that successful co-operation is one of the strongest influences toward a reintegration of the rural community. Co-operation develops a new sense of social discipline

and of a collectively responsible rural society. This is why co-operative associations will always be of great importance for any state that intends to strengthen its agrarian society of free and independent family farms.

When farmers had acquired a considerable amount of experience in operating co-operative associations, and when they had thrown overboard all the little jealousies and prejudices concerning salaries and freedom of action for capable business managers, it was only one step further to use co-operative power for organizing farmers in an attack against monopolies, cartels and similar forms of restraint of free competition. They declared war on such combinations in order to re-establish fair play within the price economy. Many such attempts were successful. As long as co-operative organization is used only to break monopolies it deserves all the state aid that can legally be granted.

Unfortunately, however, this struggle against the large industrial and trade combinations has sometimes led co-operative associations into fields where they either could not succeed or where the idea of co-operation degenerated into something antagonistic to its own basic principles. In a struggle against monopolies and their strategy of force and control there is a temptation to fight monopolies with their own weapons. The postwar history of the co-operative movement in the United States and Canada shows many examples of attempts to use the privileges of co-operative organization in order to build up monopolies. Eloquent advocates tried, often with success, to convince the farmer that he could not survive in a world of increasing monopolistic control over prices unless he used the same devices. The appeal of "orderly marketing" and similar disguises for monopolistic tendencies in co-operation caught the ear of the farmer time and again when he was pinched by low prices for farm products or excessive prices for his needs. The result is that the reputation of co-operation

has been badly damaged, among farmers as well as legislators. Monopolistic co-operatives have to use compulsion and very rigid punitive measures against their members. These members, however, are not comparable to entrepreneurs in a specialized industry, nor does the financial set-up of co-operatives resemble the capital structure of trusts. The co-operative cartel in agriculture comprises usually a vast number of heterogeneous farms, and stands on the liability of all the members. For large scale cartel operations much greater capital reserves are necessary than those kept by co-operative associations in the ordinary business routine. If reserves are not sufficient, operations have to be backed by the liability of the members, thus jeopardizing the independence and security which it is one of the foremost aims of co-operation to assure. Any real sacrifices are beyond the bearable limits for the weakest members, and as soon as they are necessary members begin to break away. The democratic principle of equal votes for all members makes it intrinsically impossible for co-operative organizations to copy the policy of cartels or trusts.

The family farms depend on the liberal principle of fair play, but they need the balancing power of sound co-operative associations, or at least the potential power of co-operative action, to assure them against attempts to threaten fair play. It is only to their own advantage that attempts to use the co-operative idea for purposes diametrically opposed to all the foundations of the family farm economy have so far been defeated.

From the history of agricultural co-operation certain conclusions can be derived concerning its limitations and possibilities as a business activity. For the business set-up two different systems are possible. The association may be strictly specialized for one commodity or a narrow group of similar commodities, or it may include various branches of trade. The former type is dominant in the United States, the latter in

Germany. Both have their shortcomings and their advantages.

Milk is the only agricultural product with a permanent all-year-round production and sale. Thus specialized co-operative marketing associations, confronted with long out-of-season periods of continuing costs and little or no business, have to build up a much larger area so that they can carry the costs of the organization and gain a sufficiently strong position in the market. Their great advantage lies in the higher efficiency of their officers, who can become experts in the markets of their single commodity.

The other type, mixed marketing associations, has no difficulty in carrying the business charges all the year round. These organizations usually find a sufficiently large volume of business within a rather small territory, thus facilitating contact with members and control of the area. The disadvantages, as revealed by Germany's long experience with this type of association, lie in the fact that the returns from various branches of the business are usually pooled. This means that the yield from some commodities is used to make up for losses in others, or that branches of the business are maintained which would ordinarily have to be abandoned because of the association's inefficiency in handling them. As a rule in German co-operative buying and selling associations the fertilizer trade safely yielded net profits, because it requires only simple management to distribute a standardized industrial commodity. The grain trade usually meant a loss because this extremely speculative market requires unusual abilities which were seldom at the disposal of co-operative associations. Therefore farmers did not benefit from the possible low prices for fertilizers, and had to sell their grain at or a little below the average.

German experience has also shown, both in marketing and in credit associations, that since liability rests mainly on the members themselves, every possible precaution must be taken

if outright disaster is to be prevented under a severe depression. A combination of local or district associations in larger units is the best guarantee against a contagious dissemination of failures, if there are several stages of risk-absorbing units between the local units and the roof organization.

Another danger is the mixing of too heterogeneous risks. If only a few members of a co-operative society do a large scale business it is obvious that the failure of the large scale operators may sometimes hang all the small farmers by the rope of equal liability. This is especially true for credit associations, but it holds also to a lesser degree for marketing societies. The financial collapse of one big farm has not infrequently caused the financial weakening or even the ruin of scores of small family farms. The reason why small farmers permit such a dangerous mixture of risks is of course that they think mainly of the yields of the big members and the improved returns from their society, while they dismiss the thought of any possible failure.

If it is correct that co-operation is a substitute for private business where the latter is lacking, it is a logical consequence that co-operative associations should not be started where a capable and fair private business exists, and according to reasonable judgment, does its duty. To open a co-operative association under such conditions does usually more harm than good. Since collective action unavoidably involves collective responsibility, co-operative associations should never be initiated merely because of resentment toward certain merchants or because of a vague assumption that the margins of certain dealers are much too high.

Co-operative associations should not deal in commodities which, like hay or fresh meat, have a constantly varying quality, difficult to judge, or which are sold on markets with unpredictable price jumps. If they handle such commodities it is necessary for co-operative associations to employ a compe-

tent trade expert, but the right man can usually earn much more as an independent merchant than as the employee of a farmers' co-operative association, and paying him the high salary he is worth cuts down much of the possible gains.

Also, the trade in commodities should never be connected with the business of granting credits. If credit is granted, some members become delinquent with their payments of interest or principal in a time of depression. If the credit association deals also in farm produce it is only logical that the officers should try to bind the members to deal exclusively with the co-operative association in the sales of farm products. Such contracts of exclusive trade may easily corrupt a co-operative society because it enables the officers arbitrarily to increase the "dealer's margin" or the handling charges by paying lower prices than under a competitive system. Thus the very farmer who most urgently needs the highest obtainable prices receives the lowest and thereby slides into failure more rapidly than he would without the benefit of membership in the association.

Co-operative associations must have competition if they are to remain in a sound condition and be of help to the farmer. They must compete either with one another or with the independent merchant or trade companies. It is always difficult to recognize this necessity because the leaders of the co-operative movement usually think in terms of restraining competition. But any form of monopolistic power, even in its first stages, endangers the rights of the farmer and consequently the morale of the association. To prevent such conditions it is necessary to keep the membership list open. Members must have an opportunity to withdraw from the association within a certain period, and new members must be permitted to enter it. Successful co-operative associations often assume an exclusive attitude because they do not want to share the benefits of their achievements with newcomers who often refused to

join at the beginning. Their resentment of such shrewd tactics is easy to understand. Nevertheless there is the method of charging higher entrance fees for latecomers.

After this consideration of the possible achievements of agricultural co-operation, its dangers and its limitations, the question arises as to whether the beneficial influences of co-operation in normal times can be extended to include certain remedial effects during emergencies and depressions. Co-operation promises and has proved to be a most valuable aid in times of crop failure, for it can mitigate the hardships by offering credit facilities and supplies at fair prices. When adjustments to superior techniques or new types of production are necessary it may also be of considerable value to farmers. In all such events the co-operative system's unique device of creating a collective security for credit by making all the members liable is an important technique of farm aid. But as soon as it comes to the problem of fighting real agricultural depressions it must be admitted that co-operation is no substitute for recovery policy or a determined policy of farm relief. In depressions agriculture will always be much better off with a well-established and consolidated co-operative system than without, but co-operation can be scarcely more than a good cushion that may prevent the farmer from hitting all the rocks in the rapids.

It seems justifiable to say that the basic attitude upon which the huge edifice of modern co-operation among farmers has been built is the safest foundation for a strong political democracy. This attitude entails an independence of thought which leads to respect for self-help and disdain for state aid, and which finds pride in bearing the full responsibility for the destiny of the individual family enterprise. It means a willingness to pay the price for the maintenance of independence and freedom. Co-operation promotes a pronounced antagonism against the idea that there are earners of social

rent who have to be taken care of by the state—a psychology which so easily spreads like contagious disease and causes an epidemic rent-neurosis, as is revealed in the history of the Weimar Republic, in spite of its many blessings to the working class. Agricultural co-operation loses its creative power in the moment that the attitude of free competition and self-help vanishes. Within a system of planned economy agricultural co-operation is not only superfluous but it turns into a Greek gift. Membership is no longer optional. The state begins to control and to influence the conduct of the co-operative business, to restrict withdrawal or entrance of members, and sometimes it even takes care of losses. It has been evident since the war that even direct state aid for the foundation of co-operatives cannot avoid unconsciously inoculating the lethal bacilli of dependence into the body of co-operative groups.

Some states have recently used the existing co-operative system for their policy of planned economy because it offered a smoothly operating machine, making it unnecessary to construct a new bureaucratic apparatus. By putting the force of the law behind the associations, by forcing all outsiders into them and co-ordinating the entire system, the state has made the co-operative organization a cartel or monopoly. This absorption of the co-operative system into a state-controlled planned economy eliminates the most essential features of co-operation and retains only some of its external appearance. Co-operation in agriculture, in its ideology and its creative spirit, is almost identical with the principles of democracy. Its virtues and achievements cannot survive unless this foundation remains untouched.

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## THE DEMOCRATIC IDEA AND CON- SUMER CO-OPERATION

*By Horace M. Kallen*

ONE of the straws in the wind of doctrine blowing among the intelligentsia of the times is the association of the term "democracy" and its variants with the word "bourgeois" and its variants. It is held that the democratic idea was an afflatus of the bourgeois mentality and that the democratic program was a program of city merchants and manufacturers. If this be true, the fact that the prophets and philosophers of democracy were opposed to cities and deprecated commerce is a mystery, and a still deeper mystery is the fact that the monied men who framed the American Constitution sought so to shape it as to make the people powerless: Elbridge Gerry of Massachusetts talked of "the dangers of the leveling spirit." "The people should have as little to do as may be about the government," Roger Sherman of Connecticut told the Constitutional Convention of 1787; they "seldom judge or determine right," declared Alexander Hamilton of New York. All wanted a strong central government which would safeguard the slave-owning, the commercial and the monied interests. And they framed the Constitution to this end. The Founding Fathers were practical men. Apart from the clause of the Constitution which provides for its own amendment, its democratization was accomplished only by such amendment, from the Bill of Rights to that abolishing lame duck con-

gresses and changing the date of the presidential inauguration.

The philosophic premise of democracy is the conception of man as a child of nature, endowed by her with certain natural, that is, inherent, rights. The economy which this conception contemplates is an agricultural economy, not a commercial or financial one, certainly not the financial-industrial one of these times. The ancestor of this conception is the principle of the autonomy of the personal conscience against all authority in matters of religion, and its most tragic defenders were the peasants of continental Europe during the sixteenth and seventeenth century wars over the incidence of ecclesiastical authority that then divided the European peoples. By the eighteenth century the idea that each immortal soul is its own authority on the ways of its own salvation was reinterpreted, and partly displaced with the view—which had meanwhile come to prevail among the intellectual classes—that the soul is the soul of a natural man endowed with inalienable natural rights, struggling to survive by his own efforts on his own power. The context of this view was the rationalistic naturalism inherent in the physics of Galileo. Its philosophy moves from the political and social ideas of Thomas Hobbes to those of Jean Jacques Rousseau. Its economic philosophy is to be found in the teachings of the physiocrats. The idea of democracy is the positive growth of all these soils.

The conception of the natural man, it will be seen, was, first, an abstraction from the abundance and concreteness of human personality as it lives and moves and has its being in its institutional setting; and second, a passionate apprehension of the drives and impulses and choices which each living person feels as his Self, and which the expression "natural right" embodies. The natural man is any individual as he struggles to live, to be free and to find happiness. Conceive this struggle how you will, in the manner of Hobbes, as involving a

war of all against all; in the manner of Spinoza, as the endeavor after the integrative harmony he calls "blessedness"; or in the manner of Rousseau or of Thomas Jefferson—Hobbes and Spinoza, Rousseau and Jefferson all alike apprehend human nature as essentially consummatory; that is, they define each life as its own justification for living, as, first and last, an end in itself and not a means to alien ends. In economic terms, it is not the producers we become that the conception of the natural man with his natural rights envisages, but the consumers we are born as.

The record of the one hundred and fifty years since modern democracy got its start on the North American continent shows democratic institutions most consistently successful in countries with a prevailingly agricultural economy, whose population are for the most part "independent farmers" with no great contrasts in property or power. What made the French Revolution effective and explicated its democratic implications, in spite of Napoleon, the Restorations, etc., was the reapportionment of land; what lies at the root of the democracies of the Scandinavian countries is the principle of land tenure; and what underlies the democratic mentality and conduct of the United States has been the availability of an abundance of free land in a wilderness. True as it may be that the American Constitution can be described as the scheme of a *Plunderbund* as well as the program of lovers of peace and justice, that later on railroad companies and industrial corporations received princedoms and achieved monopolies that they had no right to, there was, during a hundred years, always more than enough to go round; and every man, if he wanted to, could make himself an independent farmer by settling in the wilderness and taming it. From 1800 to 1900 the life cycle of the American masses embraced that equality which the Declaration affirmed. Human personality

figured, wherever it appeared, as the natural and functional whole which the concept of the natural man designates.

The American citizen was the American farmer. His farm was as much an extension of his personality as his clothes. Not only his work but his play was conditioned by it; there was no noticeable gap between his living and his life. He produced to consume, first; and to sell, only afterwards; and what he produced, and how, depended not on a tradition inherited from the past but on his "gumption," his present initiative and inventiveness. His profit was the increase brought about by the work of his hands, the sweat of his face, and it figured in his life as the growth of his body figured—not a gain to be counted and stored, but an enlargement to be consumed and enjoyed. His vision was of the future, not the past. Doing was more important than being, achievement than birth. The wilderness was a great equalizer, and status, which is so important in established societies, had no meaning in the fluid one of the pioneer. Men came together freely, on the same level, and in fact formed states by agreement or contract.

Of course, this phenomenon did not occur everywhere, nor all at once. Always its manifestations had to overcome the schemes and stratagems of the authority which habit and tradition yielded to the interests of merchant, manufacturer, banker and slave-owner. Habit and tradition held back the adjustment to the wilderness; they fed the invidious distinctions of status and power, property and privilege which the wilderness was starving out. The spreading use of automatic machinery brought the hierarchies of the factory system, and these were added to habit and tradition as feeders of the invidious distinctions dear to the Founding Fathers and hobbling to democracy. Only the lawlessness of the wilderness passed over to the merchant, manufacturer, slave-owner and banker.

What Judge Lynch or Vigilante Committees were in personal issues the Corporation became in economic ones.

Indeed, it became the custom of the Big Business of the country to invoke and use the laws of democracy as a means for defeating the purposes of democracy. There came into view exactly those phenomena which Jefferson feared and Macaulay predicted. Industrialization made over the country village into the factory town, the factory town into the industrial city. The independent farmer was degraded into a tenant farmer, and the tenant farmer translated into an industrial worker. The city overruled the country; the basic unit of life ceased to be the family farm and became the corporation factory. The incidence and meaning of ownership altered. It became *absentee* on a large scale, and property ceased to be a prolongation of personality and became an assurance of income. The sign and figure of this change is the upsurge of finance as the measure of all things. The corporation became the prevailing economic unit, banking the primal economic power, and the bond or the share of stock the material insignia of ownership.

Under analogous circumstances in Europe the transformation turned a medieval serf into a modern proletarian and decorated the power of the modern captain of industry with the privileges and pretensions of an hereditary aristocracy. In England they signalized the event by saying that the peerage was mixed into the beerage. Therewith the field of democratic aspiration changed. As the field altered, human nature became redefined. The natural man with his inalienable natural rights was abandoned. His place was given to economic man with his supplies and demands. "Surplus value," "the class struggle" and the "right to work" took the place of life, liberty and the pursuit of happiness. The privileged landed aristocracy found themselves confronted with the emulation of the industrial idle rich. Personal responsibility and personal

management were swamped by absentee ownership receiving free income.

As inventions multiplied the division of labor grew. The characteristic working unit soon ceased to be the human individual and became the coercive association of individuals called a factory. Production became mass production, while consumption had in the nature of things to remain a matter of personal preference and private capacity. Between making a thing and using it the gap deepened and widened. The producer was separated from the consumer. More and more men came to be making masses of what they could not use and using items of what they could not make. Newly elaborated middlemen's techniques, formations of new functions of assembling, storing, advertising, selling, became the subject of a theory and practice of distribution. Now the Distributor loomed in a people's economy more momentously and ominously than the Producer, and he made the Consumer, or customer, an object of large-scale exploitation, of which perhaps the sale of cosmetics, patent medicines and "securities" provides the most conspicuous examples. Moral considerations were offset by the rule of *caveat emptor*, and the ultimate protection of the consumer was first left to the providence of free competition between producers. In the course of time, however, men, especially in cities, became dependent almost entirely on goods they did not make, and of whose processes of manufacture they were completely unaware and could not judge. Today we buy goods on faith, not knowledge. Soon competition between producers became less, not more. The chain store and similar corporate structures fixed prices. Producer policy, not consumer need, came to govern quality and quantity.

And what could the unorganized consumer do about it? Call, of course, upon the government for help. And he did, and does. All industrial countries have seen the adoption of

regulatory statutes of wider and wider scope. But as in all countries the producers are organized not only as cartels and trusts and the like but also as political pressure groups, while the consumers are in the main entirely unorganized, the operation of laws protecting the consumer is offset before it is well begun. To which the consumers reply by asking bigger and better laws and wider and more detailed government regulation and control of producers. Analogous phenomena are to be noted in other fields of the national life under the industrial economy. Equal liberty was being equated to general supervision and policing by the state. Already in 1884 Herbert Spencer had deplored the event in England, arguing that the admission of state interference at one point "strengthens the tacit assumption that it is the duty of the state to deal with all evils and to secure all benefits," and that this must lead ultimately to the restoration of the servile state.

Time has in no small degree justified this view of Spencer's. The industrial economy, with its progressively more minute division of labor, its swift communications, its long lines between raw material and finished product, its gaps between producer and consumer, leads human beings to form with one another very different types of association from those postulated upon the agricultural economy of the days of Jefferson. Since the turn of the century the encroachment of the state and the centralization of its power have been cumulative, if not steady and consistent, in all democratic countries; and the logical terminus, as Herbert Spencer saw, is a totalitarianism of which the Communist, Fascist and Nazi systems, with their doctrines of economic autarchy and their conscription of the life, the labor and the thought of the citizens in a gigantic corvée of service to the state, are particular instances.

They reformulate, under the conditions and in the terms of industry, Hegel's theorem: "Whether the individual exists or not, is a matter of indifference to the objective moral order

which alone is steadfast. It is the power by which the life of individuals is governed." Karl Marx, substituting for Hegel's "objective moral order" his own "method of production," reduced natural men to members of classes whose clashes as such, and not those of their members, accomplish the pre-destined classless society. Hitler replaces the "objective moral order" with his Aryan race, Mussolini with his military state. Those liberals of political economy who find consolation in projects for "a planned society" or who elaborate logics for the "rationalization" of this or that industry, are dominated, really, by a similar totalitarian postulate. In common with the overt totalitarians, they assume, but implicitly and unconsciously, that men are members of a whole which is somehow an organism rather than an organization, and that they must live as tools and organs of the whole if they are to live at all. This assumption is the direct contradiction of the democratic ideal. In historic actuality such a condition obtains only in a servile state where one caste commands and another obeys, or during a state of war, when all the community is regimented and militarized for the purpose of winning the war—when, therefore, freedom and choice are as null for all as they are for privates in an army who eat the same food, wear the same clothes, do the same work, without regard to their personal abilities, needs or preferences or judgments. "Theirs not to reason why, Theirs but to do and die" . . .

## II

Many devices have been projected, and some tried, to preserve the free political pattern of an agricultural economy of independent farmers employing themselves, under the conditions of an industrial economy of independent corporations employing dependent laborers. The projects of Socialists, Anarchists, Communists and Syndicalists are elaborate philosophies of community reorganization. Actual endeavors are laws

What are these principles, and how do they signify for democracy?

The situation from which they were elicited is that in which the joint-stock company and other corporate forms exemplify the dominant pattern of economic association. Such associations are consistently oligarchic. Their legal ownership may be in the hands of one person or of many, according to the number that figure as stockholders. Their actual functional ownership, however, inheres in the holders of the majority of shares of stock, and to majorities so defined minorities have no rights that require respect, and receive no practical protection of those rights from the law. Money votes, not men, much as many of the Founding Fathers hoped might be ordained by the American Constitution. And the aim and goal of the voting is more money—whether as profits based on buying as cheaply and selling as dearly as possible, on watering stock or on freezing out minorities. The procedure tends toward monopoly: its logical terminus is the domination of a competitive field by financial manipulation, market rigging, cut-throat competition and other methods lawful and unlawful which corporation history has made familiar.

The Rochdale principles prescribe a contrasting procedure. Membership in a co-operative society is primarily not an impersonal financial transaction but a personal association which a financial transaction initiates. This is accomplished by acquiring one or two shares of stock, all at once or in the course of time. The price of the stock is as a rule very low, five or ten dollars—within the reach of poor people. It earns a fixed rate of interest. It is not offered in the stock market, its value never changes, and the number of shares any one person can own is limited. No member of a consumer co-operative society can distinguish himself from another by the number of shares he owns. But whatever this number, he votes, not his shares, but himself, electing the officers of his society, deciding its

policies and all its business, on the principle one man, one vote. What he gets from his society, whether in goods or services, he pays for in cash. The price he pays is that which prevails in the competitive market, and at stated intervals he receives rebates or dividends in proportion to the amount of his purchases: the greater this amount, the greater his dividend. The benefit grows not with his saving, but with his spending. Use measures profit, not profit use.

In operation these principles carry over the ideal and method of democracy from the domain of politics to that of economics. They define the economic organization of liberty.

The economic man of laissez faire political economy, who ousted the natural man of democratic philosophy and from then on impatterned the ruling passion of our times, is a split personality, a Siamese twin inseparably united and insuperably independent, each at war with the other, and each unable to live without the other. This Siamese twin is the Producer and the Consumer. The economic man as such, however, is identified and studied primarily as the Producer; his nature and behavior as the Consumer are largely taken for granted. His twin has had the lion's share of the attention of the doctors of economics. But in the living human being the role of producer is secondary, derivative. Intrinsically and essentially the living man is a consumer, and his personality as a natural fact establishes and defines itself by the interests and activities of consumption. No man lives to work, he only works to live. To all, labor is a hardship; and the progressive, libertarian or reform movements of most societies have concerned themselves always with easing, with, if possible, transforming that hardship, with reducing the hours of labor, with altering its conditions, so that it may be made as nearly as possible like art or science or sport. The goal which all societies offer, even the servile ones, is an economy wherein there is no gap and no essential difference between labor and leisure,

wherein each passes into the other as the tones of a song or the years of a life, wherein both are consummatory.

For the story of mankind confirms what our hearts tell us: that we are consumers by nature and producers only by necessity. We are born consumers and our consumption is a natural activity which goes on for its own sake. It is the living of our lives, which involves values and ends—the economic mode of the natural man's exercise and enjoyment of his natural rights of life, liberty and the pursuit of happiness. Production, *per contra*, is an acquired function; we do not produce to produce, we produce only to consume. All production is for the sake of consumption, but there is no consumption, ultimately, which is not for its own sake. This is why as consumers we live our lives, while as producers we only work for our living. Now the tragedy of the economic man is the tangency of earning his living to living his life, the day to day warfare between labor and leisure, vocation and culture, work and play. And in this warfare labor has tended to master leisure, and the multitudes are known as workers rather than as men. They spend their daily lives in production, production that is ever a means and never an end. In the course of the struggle to free them from this servility, labor, the effort expended in production, has come to be idealized as the substance and measure of value, and work to be glorified at the expense of life.

The consumers' co-operative movement turns away from this idol-worship. It starts where democracy started, with the natural man. It affirms the natural man by insisting on the primacy of the consumer and by endeavoring to build the consumer function into the structure of the social order of industrial society as the principle of its control. Its point of departure is not property, not class, not caste, and not vocation. Its point of departure is the individual. It takes form as a voluntary association, on an equal basis, of different individ-

uals, regardless of status or station, of race, or color, or faith or sex. The individuals associate together because by so associating each can serve himself more effectively than he could alone. The association is secondary, not primary; as government is to democracy, it is an instrument not an end. Both ownership and control are as direct and as personal as the independent farmer's ownership and control of his farm and more so than the democratic citizen's ownership and control of his city. The co-operator's status in his co-operative is registered by his share of stock, with its fixed value and its fixed returns. In sharp contrast with the irresponsible absentee ownership of the dividend receiver holding corporation stock, the co-operator's relation to the economic establishment which his share represents is that of a personal partner who holds himself, and is held, responsible for methods and management and results. The contrast is just as sharp with the even more extensively absentee nature of government ownership. For functionally the difference between government ownership and corporation ownership is one of scale rather than of responsibility and rule. Both are impersonal, both permit the usufruct of property but make impossible the personal directness of participation and use in which the property sense psychologically consists. In terms of the property sense, the co-operator is close to the independent farmer, and the increase that he draws from his co-operative organization depends, as we have seen, on his use of it.

"Americans," wrote Mr. Justice Brandeis in a minority decision, upholding the constitutionality of anti-chain store legislation, "Americans seeking escape from corporate domination have open to them under the Constitution another form of social and economic control more in keeping with our tradition and aspirations. They may prefer the way of co-operation, which leads directly to the freedom and the equality of opportunity which the Fourteenth Amendment aims to secure."

That way is clearly open. For the fundamental difference between capitalistic enterprise and the co-operative—between economic absolutism and industrial democracy—is one which has been commonly accepted by legislatures and the courts as justifying discrimination in both regulation and taxation."

Also in its weaknesses and deficiencies the consumer co-operative movement resembles political democracy. The record shows that the eternal vigilance which is the price of liberty can be as lacking in the former as in the latter. When things go well the membership is likely to manifest a feeling of complacency and to develop habits of inertia. Just as, in democracies, this state of mind makes occasions for political bosses and practically solicits control of the instruments of government by politicians and bureaucracies, so, in the co-operative movement, the domination of the policies and program of the movement by managements and employees is not infrequent. Similar remedies are applied by the two establishments, the political and the economic. The citizens of a democracy become alert and concerned in times of trouble. The membership of a co-operative does likewise. And as the trouble would always be something closer to home in a co-operative, since it involves the quality or quantity of goods in daily use, the conditions conducing to vigilance are more numerous and spread more directly, widely and subtly into the routines of the daily life. Once members become aware of deficiencies they take steps to correct them, and if adulterations or deceptions occur, as may sometimes be the case with patent medicines, food-stuffs, etc., the demand to abolish them is made as soon as may be. Of course such demands can be made only where a condition is recognized as a defect. This depends on the standard of living and the climate of opinion. In England, for example, the sentiment against patent medicines and their claims is not by any means so pronounced as in the United States, and British co-operatives make and sell patent medicines because

their members want them. The trouble here is in the membership itself, and as members of a democratic organization, of course, they sooner or later meet it themselves.

Again, like a democracy, the consumer co-operatives, being associations of different people for similar ends, are subject to the pull and push of predacious or special or sectarian interests which might endeavor to turn the co-operative movement into a tool of those interests instead of an association which serves itself. Conspicuously, Socialist and Catholic sectaries have endeavored to use co-operation in that way, and Communists and Fascists have employed and destroyed co-operatives as they desired. Political democracy is under similar threat from diverse vested interests and falls often into the hands of "invisible government." Among co-operatives such sectarian domination and use are not invisible, but attempts at them well may be, being secret and conspiratorial.

So far as I know, these difficulties are inherent in the nature of things and are part and parcel of the democratic process even as weather and disease are part and parcel of the natural life of any human being. They can be guarded against only as disease and weather are guarded against. It is well to recognize that just because consumers' co-operation rests upon the recognition of the individuality of the individual and of the primacy of the consumer in him it can never be a panacea and cannot purvey promises of utopian perfections to compete with those of Socialism, Communism or Fascism. It is a method which seems more efficacious than others that have been tried under the industrial economy, in preserving democracy from its enemies within and without. Its great virtue is that it begins where the problem that it faces begins, with the personality of the individual. It can mitigate but not abolish the predicaments intrinsic to everybody's life and recurrent in every society, but it does not pretend to avoid present responsibility by postponing everything till after a revolution that in-

fallibly will abolish them. It starts instantly and operates positively, from the moment it starts, in any place, at any time. In industrial society individuals may come together and pool their resources on the Rochdale principles in such a way that by association each has, without any lessening of his individuality, a greater abundance than he would have had by himself.

At the same time the rules of association are the dynamics of growth. Consumer society is open society, while producers' associations are closed associations. Each member of a consumer society gains by addition to the ranks; members of producers' societies lose. The principle of association applies alike to individuals and groups and thus the consumer's co-operative movement is a federal structure of international range. Since it is a voluntary organization resting upon the consent of the membership, it is a means which is continuous with its own ends, containing within itself its own technique of self-criticism and self-correction. In this again consumer co-operation is like political democracy, a peaceful method of settling natural conflicts, and a free method for satisfying desires as they arise. Its limits are only the initiative and liberty of the members who by association are able to reach out to each and any good a member might crave. This does not hold of other types of organization, certainly not of those based on the principle of authority, whether economic or political. Being neither self-critical nor self-correcting, criticism can come to them only from without, so that their correction becomes tantamount to their destruction. In democratic orders, whether political or economic, correction enhances the vitality of the organization and serves and guarantees the continuous expansion of liberty.

Herein is revealed the true ground of the superiority of the democratic way of life over others. There are no orthodoxies, no heresies, whether of thought or conduct. Since the demo-

cratic way is free, error only exposes and defeats itself, be it error of doctrine or error of discipline. This has been the experience of the consumer co-operatives, and it is this experience which, as much as anything, has led Mr. Justice Brandeis, that most American of justices and the most judicial of Americans ever on the Supreme Court, to regard co-operation as leading "directly to the freedom and equality of opportunity which the Fourteenth Amendment aims to secure."

## DISTRIBUTION OF WEALTH

*By Fritz Lehmann*

THE politicians in New England, practical and sober men that they were, felt even in the early nineteenth century the contradiction between political equality, as expressed by universal franchise, and economic inequality. In 1820 Daniel Webster pronounced his belief that a democratic society would not tolerate great inequalities of property, that universal franchise was incompatible with unequal distribution of wealth.

Webster's opinion appears to be refuted by history. For more than a hundred years unequal distribution of wealth has coexisted with democratic constitutions. But Webster's arguments sound so convincing that they provoke a closer investigation. Perhaps we are too quick in stating that the constitutions have been democratic, perhaps we are overrating the inequality of property. And, if these doubts can be disposed of, we ought to search for the reasons which have made history behave so unexpectedly, which have made economic inequality a familiar accompaniment to universal franchise.

To say that in western democracies the franchise was universal throughout the nineteenth century would be obviously inaccurate. For this particular problem it is of minor importance that women were not admitted to the polls; but it is of considerable significance that in most countries the voting regulations kept a great part of the lower strata away from the polls, and that universal franchise was realized only very

gradually. Even today the practical handling of the law prevents Negro citizens in the American South from casting their vote. And even today the different size of the electoral districts in England weights the votes of the conservatives more heavily than those of labor. Such restrictions have tended to slow down the radicalization of parliaments. They have served to some extent to protect wealth against the demands of the masses. But it will hardly be contended that the continuation of economic inequality is to be attributed to the imperfections of the universal franchise, to the incompleteness of political democracy. If the masses had desired equalitarian democracy more ardently they would have acted more insistently to change a voting system which precluded the realization of their demands.

The inequality of wealth seems to be obvious enough. But in fighting equalitarian demands those in possession of wealth have often pointed to the small improvement which the many poor would feel if the few rich were expropriated and their fortunes equally distributed. This argument, popularized in the story of Rothschild's offer to pay to the beggar the florin which represented his share in Rothschild's wealth, is seldom supported by facts and figures. Very little research—this is significant in itself—has been devoted to the effects of a more equal distribution of wealth.

With regard to the United States, the discussion of the distribution of wealth is based mainly on a study made by the Federal Trade Commission of the records of about 43,000 estates for 1912-22 and published in 1926. Assuming that the values of estates represent effectively the distribution of wealth, the commission calculated that 1 per cent of the population possessed 59 per cent of all private fortunes and that 90 per cent of the wealth was owned by less than 13 per cent of the population. The commission, however, found some evidence of a tendency toward decreasing inequality.

The assumption of the Federal Trade Commission that the distribution of wealth among the living would correspond to the relative size of estates was quickly disputed. One year later King, skillfully combining several methods, found for 1922 that 2 per cent of the population owned 40 per cent of all private wealth and that about two-thirds of all wealth belonged to about 10 per cent of the population.

King's figures are for 1922. I shall briefly describe an attempt of my own to measure the distribution of wealth for 1930. My method, applicable only to the higher strata, uses a short cut by combining the results of the federal income tax statistics with the results of the federal estate tax returns.

The total private wealth in 1930, estimated by adding the value of all farm property, of houses owned or rented, the assets of corporations, gold and silver, household property, foreign investments and public debts, and by making some allowances for duplication, amounted to about 430 billion dollars. The income statistics show that in 1930: 150 persons had an income of more than one million dollars and received 230 million dollars in dividends; 6,052 persons had an income of between 100,000 and one million dollars and received 798 million dollars in dividends; 253,252 persons had an income of more than 10,000 and less than 100,000 dollars and received 2,110 million dollars in dividends; 550,977 persons had an income of more than 5,000 and less than 10,000 dollars and received 573 million dollars in dividends. For the sake of simplicity I shall call the first group the multimillionaires, the second group the millionaires, the third group the rich and the fourth the well-to-do.

The income tax statistics report that the multimillionaires received 230 million dollars in dividends. The average yield of common and preferred stocks in 1930 was about 5 per cent, and therefore the price-dividend ratio was 20. On this basis the value of the stock owned by the multimillionaires may be

estimated at 4.6 billion dollars. The federal estate tax statistics show that of the estates of more than 5 million dollars value, more than 60 per cent consisted of capital stock in corporations. If we assume that the same proportion holds for the wealth of the living multimillionaires, their total fortunes would amount to 7.5 billion dollars. Correspondingly, we may compute the fortunes of the millionaires at about 28 billion, the fortunes of the rich at about 85 billion and the wealth of the well-to-do at about 35 billion dollars. The four groups together would have owned about 155 billion dollars, or 36 per cent of all private wealth. If we suppose that each of these taxpayers had to care for a family of 3.5 persons, these four groups would comprise 2.2 per cent of the population.

This result, however, is likely to underestimate the economic inequality. First, the wealthiest strata were able to reduce their income by personal holding companies and similar devices. Second, the values reported for the federal estate tax tend to be lower than the values used for the computation of total wealth. Third, in 1930 some very wealthy persons, because of losses incurred, reported only a small income or even no positive income at all. Fourth, among these groups are persons with great incomes but without considerable property. These facts—and they are not exhaustively enumerated—necessitate corrections in the figures. Without claiming accuracy it is safe to say that in 1930 the wealthiest 2 per cent of the population owned at least 40 per cent of all private wealth, but probably not more than 45 per cent. This result corresponds well with King's estimate for 1922.

Lack of statistical data permits no definite answer as to whether the inequality of property has become more or less accentuated in recent times. The Federal Trade Commission, as already mentioned, found some evidence of increasing equality. The great fluctuations in stock prices during the last two decades make any comparisons very difficult. The stock

market boom in the late twenties, with the extraordinary appreciation it brought in common stock values, benefited the wealthiest strata because of their high percentage of common stock investment. Contrariwise, the deflation flattened out the inequalities. The stability in the shares of labor and capital in the national income lends support to the assumption that the distribution of wealth has not changed very much in the United States during the last decades. The income and estate tax rates at their present level, however, cannot fail in the long run to reduce the inequalities in wealth.

The distribution of wealth in Great Britain appears to be very similar to that in the United States. In Germany, on the other hand, the inequality of property is remarkably less accentuated. In 1927 mark-millionaires possessed hardly more than 3 per cent of all private wealth; those who owned more than 100,000 marks possessed only 10 to 12 per cent of the total. This relatively equal distribution, nevertheless denounced as intolerable by some writers, was not the natural outcome of economic tendencies, nor was it the deliberate effect of an equalitarian policy; it resulted from the postwar inflation. Before the war the millionaires in Prussia owned about 20 per cent and the rich and well-to-do another 25 per cent. Thus while the wealthiest strata possessed almost half of all fortunes before the war and inflation, they owned no more than one-sixth after the catastrophe.

The figures given here will be subjected to a two-fold attack. It may be argued first that the relative importance of wealth is underrated in such statistics. Wealth confers on its owner not only interest and dividends but certain additional advantages of great tangible value. As a result of his wealth the rich man enjoys the position of an insider in the corporations in which he invests. Very often, and perhaps for an inconsiderable service, he obtains a directorate yielding him a considerable income; often too he receives special informa-

tion which enables him to invest his fortune favorably and to gain by speculative transactions. These revenues represent a "super-addition" to wealth which is not expressed in the value of its constituent parts.

On the other hand, it may be objected—and justifiably—that the wealth of the rich is overstated because no regard is given to the taxes which reduce the income available for consumption as well as for accumulation and which diminish the amounts given away during life or left after death. If wealth is understood as property the disposal of which is left to the owner, ten million dollars in 1910 represented greater wealth than ten million dollars in 1936. Thus the figures for fortunes are not a sufficient basis for determining the real distribution of wealth.

It might be added that the poverty of the poor is likewise overstated by the figures, because they include no evaluation of those services which modern society increasingly renders to the needy, without compensation, such as health services, relief and so on. This factor must not be neglected if comparisons for different periods or different countries are undertaken.

But notwithstanding the shortcomings of these figures, certain conclusions may be derived from them as to the effects of a redistribution of wealth. If the property of the wealthiest tenth of the population in the United States were distributed among the whole population, the property of the average man would be tripled. The revenues from the additional property would have added in 1930 about 500 dollars to the 2,500 dollars income of the average family; this means an increase of 20 per cent. It is scarcely necessary to add that such sharing of wealth would not mean a transferal of purchasing power, to be invested as the receivers wish. In most cases the accretion in wealth would consist of claims upon some income: interest or dividends; in some cases the beneficiary might ac-

quire property in the home he rents; in others he might get rid of mortgages upon his property. The logic of economic facts prevents the realization of such consequences as the late Huey Long expected from "sharing the wealth."

The figures, however, do not permit us to conclude that sharing the wealth would not benefit the poor. The problem why more equal distribution has not been obtained under democratic constitutions is still unsolved. It may be argued that the figures are not known. But that they are not known merely points to the fact that the issue of economic equality has not sufficiently attracted the public interest. We must look for better reasons.

These reasons need not be the same in all countries. Besides some few general considerations of international validity there seem to exist particular reasons for individual nations, resulting from peculiarities of their historic development, their social situation, their economic structure.

The main general reason for lack of enthusiasm for the redistribution of wealth may be found in the commonplace that people are more interested in getting a higher share for themselves than in getting equal distribution for all. The farmer wants higher prices and lower taxes, the worker strives for better wages, the aged for a pension. The politician who promises tangible results for distinct groups has better chances in the struggle for votes than a candidate who makes general promises.

Another consideration of general importance may help to explain the sluggishness of public feeling against unequal distribution of wealth. Great wealth is not only a subject of envy; it is at the same time a source of respect and prestige. Feudal ties of allegiance connect the peasantry with the wealthy landlords and these ties are broken only where absentee ownership or difference in nationality enlarges the distance. Likewise, the powerful industrialist, the "royal" mer-

chant, the great financier, command admiration and devotion. In the common man both feelings, respect and envy, are strangely mixed; often respect prevents the action which envy prompts. The feeling of respect is strengthened, of course, when wealth has rewarded great service performed for the benefit of the whole society and has not merely casually accrued to the owner of a tract of land in Manhattan.

For several decades rapid economic progress has in the United States contributed one of the most important elements in mitigating the psychological pressure of inequality. When the lower stratum will attain tomorrow what the higher stratum has reached today the feeling of rising standards will help to overcome envy and hostility toward those in a better situation. Moreover, in a dynamic economy the chances for making great fortunes at one stroke are far greater than in a more stationary system. This has to some extent given American economy the character of a lottery. And just as you do not begrudge your fellow player in a lottery his winning of the main prize, since you hope to win it next time, so in a dynamic economy the successful merchant or the fortunate speculator need not fear the animosity of those who have not done so well. Democratic feeling prospers well in an economy operating thus on chance, as long as everyone has at least some chance for conspicuous success.

It is the power, economic and political, conferred upon the wealthy which is feared and fought in the United States, rather than wealth as the means of commanding the good things of life. In European literature, English as well as German, stress is laid on the difference between the rich and the poor in the standard of consumption, but American writers emphasize the concentration of economic power. It is big business and monopolies that are hated, not Mr. Ford and Mr. Rockefeller.

American history has demonstrated time and again how

much this country is immunized against extremist economic policies through the two-party system as it has thus far existed, with both parties extending through all strata of society and competing for the votes of all social groups. Whether Huey Long, successful in his home state on the basis of a well organized machine, would have been capable of overcoming the traditional failure of third parties by his "Share the Wealth" movement is a matter of conjecture. The odds against success were rather high.

In Europe capitalism passed the stage of dynamic expansion decades ago. The tendency to charge the wealthier parts of the population with an increasing share of the rising public expenditures had already appeared in England before the war. But it was accelerated by the problem of financing the war costs. Postulates of social justice played an important role in shaping financial programs but no real ideology of redistribution of wealth developed. Inflations shared the wealth more radically than the severest tax laws. To be sure, they accomplished this redistribution in a rather one-sided way. They abolished the rentier class almost completely but left relatively untouched the wealth of the industrial entrepreneurs and the landowners.

For some countries—Germany before Hitler is the outstanding example—the influence of Marxism formed perhaps the main obstacle to stronger movements for economic equality. Marx prophesied the coming of socialism through the social revolution after capital had been concentrated at one pole and the proletariat free of property massed at the other. When the concentration of capital, the accumulation of wealth, represented the unavoidable stage of transition in arriving at revolution and socialism, it appeared senseless to strive for redistribution of wealth. Moreover, in Marx's economic philosophy it is capital which exploits the worker, the industrial worker first of all. Thus social antagonism was con-

centrated upon this front; the conflict was between industrial worker and industrial entrepreneur, and the contrast between rich and poor receded into the background.

The fact that the consciousness of inequality and the policy of gradually redistributing wealth were much more developed in England may be considered to corroborate the interpretation that the Marxian attitude was a significant factor in checking this development on the continent. The Fabian socialist Tawney published the one important book which deals with equality, the Fabian socialist Dalton made the inequality of income the subject of a detailed economic study. Progressive income taxation, the most important means of reducing inequality of wealth or at least of preventing inequality from growing, was, however, an achievement of Peel's conservative government. Public contributions to the welfare of the lower strata—the next conspicuous means in a system of redistribution—were promoted most by Lloyd George's liberalism in 1908. The labor governments after the war only pushed forward a tendency which had already started under conservative and liberal predecessors.

In England the labor cabinets, however, encountered difficulties familiar to leftist governments on the continent and especially in Germany. Wealth not only tried by ingenious tricks to evade taxation but started to emigrate into countries in which the tax burden was not so heavy. The cabinets, shunning the radical restrictions which elsewhere, and not only in fascist countries, were developed to some perfection in times of emergency, had to keep their progressive policy within limits.

In progress toward equality France has thus far lagged considerably. The fact that a relatively wide distribution of property has coexisted with a deeply rooted individualism, and the fact that, more than in other countries, democracy was a victory of the bourgeoisie, have kept fiscal and eco-

nomic policies far more conservative in France than they have been elsewhere.

The reasons so far enumerated for the toleration of unequal distribution in democracies are psychological or political. They are reasons by which the behavior of men may be explained, but they are not reasons which justify inequality as such. Arguments in favor of inequality, even of great inequality, exist, however, and cannot be passed over in silence. They have not been very effective in molding public opinion but it is likely that they have influenced the ideas of those in charge of economic legislation, and therefore they are not devoid of actual importance.

Unequal distribution of wealth is held to be necessary for three reasons: first, to provide the savings needed in an expanding economy; second, to spur economic initiative and progress; and third, to bring about certain cultural achievements.

The fear that sufficient savings would not be forthcoming if property were divided more equally is based upon statistical evidence. Data for many countries show that the percentage of income which is saved increases with increasing incomes. Recently the Brookings Institution has estimated that in the United States in 1929 urban families with an income of \$1,000 saved 1 per cent, with \$2,500 income 10 per cent, with \$6,000 income 20 per cent. For incomes of \$30,000 the percentage of savings was 40 per cent, and for the few incomes above one million dollars, more than 60 per cent. According to the Brookings figures the thrift of farm families was greater. Rural families having an income of \$2,000 saved more than 20 per cent; families with \$5,000 saved more than 50 per cent.

On the basis of these figures it has been computed that in 1929 families with incomes of more than a million dollars contributed about 14 per cent of all family savings, families

with incomes of 50,000 to a million dollars about 16 per cent, those with incomes of 10,000 to 50,000 dollars approximately 30 per cent, and those with 5,000 to 10,000 dollars incomes about 15 per cent. Thus almost three-quarters of all family savings were produced by families with more than \$5,000 income. The total private savings in 1929, as computed by the Brookings Institution, amounted to about 18 billion dollars (including 2.6 billion dollars saved by unattached individuals), in addition to which somewhat more than 2 billion dollars were contributed by corporate savings.

If the national income in 1929 had been divided equally among all families private savings would probably have amounted to about 9 billion dollars. Not too much reliance, however, can be placed on such calculations. The Brookings figures, doubtful even for 1929, certainly cannot be used as typical for the period. In 1929 the higher incomes were inflated by profits drawn from speculation in securities and real estate. The great savings of the wealthiest strata in 1929 were due to singular, it may even be said artificial, conditions. In an average year the millionaires will not contribute more than 20 per cent, and all the higher strata together not much more than 50 per cent, of all private savings.

Nevertheless, there is little doubt that a more equal distribution of property, and the greater equality of incomes in which such a distribution would result, would reduce the percentage of the national income that is saved. This does not necessarily mean that the total amount of savings would be reduced, or that the total amount of saving would fall short of the formation of capital needed for progress and expansion. It might be that a more equal distribution of wealth would permit the realization of a greater average national income, and that in spite of a lower rate of saving the total amount of savings might be upheld or even enhanced. As to the adequacy of savings, it may be supposed for the purposes of a rough cal-

culation that the national income would not rise but would keep its former level. Before the depression national income (paid out) averaged about 75 billion dollars and private savings probably 10 billion dollars. If, by a redistribution of wealth, the property income of the wealthier strata (7 to 8 billion dollars) had been distributed among the lower strata the consequent reduction in savings would probably have been about 2.5 billion dollars. This 2.5 billion dollar reduction in savings is probably about the same as the reduction that would have resulted if the entire national income, including salaries and wages as well as income from property, had been distributed equally among the whole population, for the loss of savings in the highest strata would have been compensated to a great extent by the conspicuous increase of savings in the lowest strata.

Calculations such as these, to be sure, can give no more than a general notion of the approximate effects. They involve great possibilities of error and they neglect completely any indirect effects. Thus it has been suggested that a redistribution of wealth would probably reduce the expenditures for "conspicuous consumption" and would thus raise the rate of savings in the middle and lower strata of wealth.

A reduction of savings by two or three billion dollars does not seem very dangerous if it is taken into consideration that with the slower growth of the population and with lower rates of progress and expansion, capital demand will tend to decrease. But even if the reduction in savings should unbalance capital demand and capital supply, and if rising interest rates should not easily restore the equilibrium, an equal distribution of wealth would not be economically out of the question. There would still remain the possibility of providing the necessary accumulation of capital by taxation, by compulsory public saving. This would not mean nationalization of credit,

as distribution and investment of the funds collected by the state could be left to private enterprises.

The necessity of public saving after a redistribution of wealth would be more urgent in countries where the average income is lower and the "propensity to consume," in Keynes' phrase, is greater. During the "New Era" the United States probably experienced a period of oversaving—artificially balancing consumption with production by expansion of consumers' credit, by spending of stock market profits and by foreign lending—but at the same time Germany saved less than it needed for current investment and had to rely on foreign capital to cover the deficit.

Even if savings should be quantitatively adequate after a redistribution of wealth it may still be asked whether they would be qualitatively adequate, that is, whether the methods of saving would correspond to the specific demands for capital. Redistribution of wealth would undoubtedly tend to shift the supply of capital from risky engagements to safe investments. Thus it might lead to a shortage of capital for enterprises of uncertain future and to an abundance of funds for gilt-edged securities. Such conditions might necessitate a further development of investment trusts and might even require the invention of new institutions to provide capital for smaller and unseasoned corporations. By distribution of the funds among several enterprises such institutions might accomplish a reasonable reduction of the risk for their shareholders.

But there remains a second reason why unequal wealth is considered unavoidable in a capitalistic society. This reason is based on the belief that in a competitive economic system a chance to make great profits and to receive a high salary is necessary as an incentive for outstanding effort and initiative. This incentive, it is further argued, will work only if the recipient of such an income has the chance to accumulate a

fortune and is able to dispose of this fortune. Thus progressive taxes on income, property and inheritance are held to weaken the incentives and to damage the capitalistic system.

Such reasoning cannot be supported by factual evidence. There is little proof of any decline of entrepreneurial activities as a consequence of higher taxation, even though it is true that national differences in taxation may in certain circumstances cause entrepreneurs to emigrate. Nor is there much evidence for assuming that salaries and profits must remain at their present differential level in order to call forth productive entrepreneurial services. The extent to which incomes could be equalized without destroying the motive power of capitalism must remain a matter of conjecture. My own belief is that the initiative and effort of the great entrepreneurs do not depend to a very significant extent upon the absolute size of the income which rewards them.

Do the cultural achievements accomplished by the financial contributions of the wealthy provide the justification for unequal distribution of wealth which economic considerations fail to give? The importance of these contributions should not be minimized. It is not only the size of the donations made by Rockefeller, Carnegie and others which have made them remarkable, but also the purposes to which they are devoted and the spirit in which they are often administered. In the progress of art and science the function fulfilled by these donations consists, as Abraham Flexner has pointed out recently, in the financing of pioneer work, of attempts in new directions toward new and heretofore untested goals.

The problem of how to secure the financial basis for such pioneer work, once private contributions run short in consequence of a more equal distribution of wealth, has to be considered seriously. There is, moreover, a tendency in democratic societies—a tendency observed and praised by Tocqueville—to seek the immediate and useful practical result of

sciences and to avoid what he calls arrogant, sterile researches in abstract truth. But science does not stand being pressed for immediate and useful practical results. What appears to be arrogant, sterile, abstract celebration of science for its own sake often enough turns out to be the most productive and important investment of the human mind. Such considerations will not deter a good democrat from striving for equality, but they will remind him that just as real freedom is freedom to realize something worth-while, so equality receives its real sanction from the quality of the society and the culture it develops.

If these considerations are valid a redistribution of wealth in a capitalistic democratic society cannot be rejected on the ground that it would entail intolerable economic and cultural consequences. It may even be that in a capitalist economy situations will arise which necessitate a more equal distribution of wealth in order to achieve a balanced economic progress. How far democracies ought to go in the redistribution of wealth, and how they should proceed, are questions which cannot be settled on the basis of economic reasoning alone. Ethical evaluations are involved and the final decision must be political. In making this decision democracies have to face the fact that a rapid equalization of wealth would necessarily stir up the economic and political resistance of those whose wealth is to be distributed. In fighting such resistance democracies would probably have to resort to measures which would greatly restrict the citizens' liberties. Too rapid equalization can be no less a danger for the foundations of democracy than can too great inequality. This danger will be the greater the more equalization is demanded for the sake of equality alone. Equalization of wealth, if pursued for its own sake, tends not only to challenge the wealthy but also to demoralize those who concentrate their political efforts and their political dreams on this goal. It is not mere chance that "soak the

rich" and "share the wealth" movements have so often been started or exploited by politicians with dictatorial aspirations. If on the other hand the inequality of wealth is gradually reduced as a by-product in the process of realizing positive aims acknowledged by the great majority, such as fighting depressions, establishing social security, protecting national resources, such redistribution of wealth might greatly help to preserve and to strengthen democracy.

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## DEMOCRACY BY CLASS AND OCCUPATIONAL REPRESENTATION

*By Arthur Feiler*

POLITICALLY democracy groups the citizens according to their divergent political opinions, and in this alignment the necessary means of organization are the political parties. But long before this grouping was criticized as "formal," "un-organic," "negative" and the like, human feelings and material interests worked together to join men and divide them according to another, quite heterogeneous set of references—their social and economic situation.

Men are not only isolated individuals but are also social creatures. Even in their economic relations they are not merely competitors. They have at the same time impulses of comradeship, and especially when they share an antagonism against other men outside their group. They want to be and to be recognized as members of the trade, the profession, the social sphere, the class to which they belong. Group solidarity, embracing the members of one group as distinct from those of other groups, is the result of this tendency. The formation of trade associations, employers' and employees' organizations, consumers' associations and the like is its formal expression. Local and, much more important, social proximity keeps them together. In such a group solidarity the individual member feels himself a participant of a whole that is much nearer to him than the body politic. The aims of the group are for him

much more tangible, much easier to understand, than the great problems of the larger community, the state. For these aims are the endeavors, the wants and the struggles of his own daily life, of his own daily work. Here he feels himself at home. And here he finds a means of self-expression, of spontaneous action and organization, more easily than in the political field where the average citizen so often feels his activity restricted to the right of voting once every two or three or four years for a party candidate. Furthermore, these occupational organizations afford the individual a better means of pursuing his own material interests as well as those common to the group. And the more efficient they are in this respect the more successful will they be in enlarging their membership. Ideas and interests are here very closely connected.

The strength of the movement toward occupational organization varies greatly, however, in different times and in different countries, in accordance with the different political and social structures. The English trade unions reached their first great success as early as the twenties of the nineteenth century, when they were no longer forbidden by law, but workers were still denied the political franchise even under the reform laws of 1832. The lack of equal political rights made the working class put that much more weight on its class organization. The same situation is still more clearly evident in prewar Germany. Since the equal franchise for elections to the German Diet was paralyzed by the unequal franchise in Prussia, which was not abolished until 1919, the energy of the rising German working class tended to concentrate on its social-economic organizations; also the industrial entrepreneurs, manufacturers and merchants, handicapped by the political predominance of the big landowners, were sometimes inclined toward the expedient of vocational organization. On the other hand, the fact that from the beginning the Constitution of the United States promised equal political rights to

every citizen is doubtless one of the reasons why vocational organization came only relatively late and slowly in this country.

This comparative weakness of vocational organization in the United States emphasizes also its relation to the class structure of society. A prerequisite for strong occupational organizations is a social structure where the vast majority of the people recognize, and have no choice but to recognize, that their position in a certain social stratum is a permanent, life-long fate. Where farmers are able to shift into business and businessmen into farming, where workers may hope to become entrepreneurs themselves (and the hope is decisive, not the success), where a democratic access to higher education opens the road upwards at least for the next generation—there much less group solidarity will prevail, much less feeling of being bound together by the same lot.

Not only the potential members of occupational organizations, but even more their potential leaders are affected by this class mobility. In such a situation there are two entirely different types of men: the one prefers to take his chances of rising in and with his own enterprise, of enlarging his wealth, expanding his activity and his predominance in industry; and the other finds satisfaction of his desire for action and influence, for power and public acknowledgment, in devoting himself to his occupational organization, rising in and with this organization. These are two entirely different types of entrepreneurs, and, even more distinctly, two entirely different types of employees. The laborer or the white collar man who feels in himself qualities superior to those of his fellow employees may choose to become a trade union leader, but if he finds the other way open he may choose instead to become an entrepreneur himself. He may even shift from a leading position in the trade union to a leading position in business. Which way he chooses depends on his group solidarity,

which is itself influenced by the social structure in a particular country at a particular time. In 1933 the National Industrial Recovery Act undertook to build up its vast organization of American industry on the basis of the then existing occupational organizations of employers, employees and consumers, regarding them as sufficiently rooted in the social structure to be extended and generalized throughout the whole industrial field; this exemplifies better than anything else the immense social change (it is immaterial whether it took place in reality or only in the feeling of the people) that was brought about in this country too by the recent economic crisis, drawing the United States nearer to conditions that had prevailed in Europe for many decades.

The rigid social structure in the European capitalistic countries explains also why during the nineteenth century and until the World War organization there was focused much more on labor than on any other occupational grouping. European labor fought for recognition as a legitimate participant in industry. What was announced in solemn words by the preamble of the Clayton Act—that "the labor of a human being is not a commodity or an article of commerce"—even though it meant only that labor organizations were to be protected from a destructive application of the anti-trust laws, was in Europe for long decades the subject of a fierce struggle for establishing human rights and dignity in industrial relations. The right of labor to organize in independent trade unions with officials of its own choice; the right of these unions to bargain collectively about the conditions of work with the entrepreneur who represented a unit in himself in relation to his workers; the right of organized labor to fight for such goals as better conditions, higher wages and fewer hours, as well as for security against the uncertainties of its market and the consequences of accidents, sickness, old age, unemployment—in Europe well nigh a century was filled

with these struggles and in this country they are not ended even now.

But when the European workers finally reached their goals the industrial world had changed. The relatively small individual entrepreneur was to a large extent replaced by the huge anonymous joint stock corporation, the size of which was no longer restricted by the amount of capital in the hands of an individual owner but could be indefinitely increased by mergers and combines, just as its power could be immensely expanded by trusts, cartels, trade associations and the like. Also, a great number of occupational organizations other than the labor organizations had come into existence, partly induced by the latter, partly developed independently and, as in this country, with much greater speed and strength. And finally, state economic policy, state interference in the economic field, had been extended to an unforeseen degree, determining all conditions of economic life and often giving protection to one group at the expense of the other. What had been called industrial relations were no longer only a question to be settled between the employers and the employees. The problem of industrial citizenship, as parallel to political citizenship, had arisen and it assumed a wholly new form and a new weight. Moreover, occupational organizations, once developed to such strength, represent a power in themselves—social-economic power and thus also political power. They claim this power in the state. Class and occupational *representation* after the development of class and occupational *organization*: this is the problem.

Bolshevism and fascism, from two opposite angles, offer their radical solutions.

Bolshevism is quite frank in this respect: it recognizes only one class, the proletariat, and it tolerates only one occupational organization, the workers' and peasants' organization. It first destroyed all other classes and social groups, beginning by

nationalizing the means of production and ending by collectivizing the peasants. Its aim is socialism. Its way is revolution. Its form of government is the "dictatorship of the proletariat"—under the dictatorial leadership of the communist party, which does not tolerate any other party alongside it. All this has been made clear again and again by the writing and speaking of the bolshevist leaders; they know, and they never tire of preaching, that one cannot eat the cake and have it, that one cannot imitate one or another part of their system without adopting their technique of power in conquering and retaining it. By this outspokenness bolshevism differs conspicuously from other varieties of socialism. The English guild socialism, for example, also based its society of the future on occupational representation—on guilds of the producers, which should emerge from the trade unions (essentially not very different from the soviets of the bolsheviks), and on consumers' associations—but without making clear how they were to attain, keep and exercise power.

In the present context only two points need be considered in connection with the socialist disposition of this problem. First, the occupational organizations of the bolshevist system are by no means granted free representation, in the sense of expressing without restriction the opinions, the wishes, the aims of their members. The bolshevist trade unions, collective farms and co-operatives, like the whole soviet structure, are controlled, regimented, led and used by the dictatorial regime; they are simply its instruments. And second, in complete contradiction to the bolshevist contention that the "soviet democracy" is the true realization of a living democracy, it is actually no democracy at all. The mere concept of a one-party state is the negation of democracy. It means that essential political decisions (and essential social-economic decisions as well) are not subject to the popular will, that they are not reached by a free play of the divergent opinions of the people,

competing with one another in free public debate—but that they are made beforehand by the ruling body of the small dictatorial party, which imposes them upon the people.

Exactly the same is true of fascism (quite aside from the fact that the fascist dictatorships do not even have behind them that image of a society freed by socialism from the inequalities and injustices of capitalism). It is not necessary to go into the details of the Italian "corporative state," which until the end of 1934 was actually a state without corporations, or to examine how much of the really free vocational representation built up by the German Republic had to be destroyed in order to clear the way for the vast structure of occupational organizations created by the national socialists. The two points already discussed in reference to bolshevism are equally true of occupational representation under fascism, in spite of its claim that it achieves a truer and better democracy. To this it should be added that so far neither fascist Italy nor national socialist Germany has made any attempt to combine political and occupational representation in an organic whole, or to replace the first by the latter. The fascist regimes have merely retained the democratic political institutions that they found in existence at their access to power—the legislature, the franchise and the like—retained them on paper and destroyed them completely in practice by their one-party dictatorships. In doing so they have made all the clearer the real purpose of their "functional democracy": by herding as many citizens as possible in as many organizations as possible, by keeping them busy in parades, demonstrations, committees and meetings, they try to make them forget what was taken away from them, their citizenship in the state. The people are made to appear freely active in the community, while actually the formation of the political will, and thus partnership in the state, have been taken from them and made the monopoly of a small minority, the ruling dictatorial party.

The idea of a corporative state is by no means an invention of fascism. The only addition made by fascism is the dictatorship. But it is this very combination of occupational representation with a dictatorial power that deserves emphasis; it leads to the crucial point of the problem. To bestow large powers on vocational groups without the danger of a rupture is possible only in the weakest or in the strongest forms of the state. It was possible in the Middle Ages not only because the social structure and the economic life were much simpler than they are today, but particularly because, broadly speaking, there was no state power in the modern sense; the princes had practically no centralized power and there was very little of the apparatus and the functioning of a "state." Even so there were constant clashes and struggles between the cities and the rural districts, and among the different classes in the cities themselves. And on the other hand, in the strongest state far-reaching powers are formally given to the vocational groups; but the dictatorship is always alert to co-ordinate divergent vocational powers, and from the potential danger of their conflict draws a justification for its own uncontested supremacy.

Without dictatorship the concept of a corporative state is nothing else than the old idea of a vocational state, that is to say, a state in which occupational representation, instead of a political parliament, shapes and expresses the political will of the people. Obviously in such a system there is one crucial question that must be met: the question of the voting strength to be assigned to the different occupational groups. This decision, significantly enough, has to be made before the "functional parliament" can even come into existence; it is therefore a political decision, which must be made by the existing political bodies. If the number of representatives allowed to every occupational organization is determined according to the number of its members, their social and political importance is evaluated according to the principles of traditional,

democratic individualism, and the distribution of power will not differ very much from that in the political parliament. If the number is decided upon in other ways the criterion cannot help being political and the result must be inequality of the political rights of the citizens. Moreover, if this decision, once made, has to remain more or less permanent, later changes in social stratification will find recognition only with difficulty or not at all, thus discriminating against newly rising groups and classes. As a matter of fact, this inequality of political rights, as compared with democracy, is the candid aim of those who advocate the vocational state. Their goal is an "aristocratic" system of representation, where men shall be evaluated not as individuals but according to their wealth, their knowledge, their place in society—where the votes shall be weighed, not counted. It is a very old idea but it is apparently gaining new adherents where the property class feels itself endangered by the growing number of the proletariat and by its growing political power under equal franchise. The never ending struggle between privilege and democracy.

These objections must be raised not only against occupational representation intended to replace the political parliament, but also against the proposal to constitute a vocational parliament which would be combined with the political parliament in one way or another. Obviously the distribution of voting strength among the different vocations is an equally crucial question in either case.

But the demand for power by the occupational organizations does exist. And the demands of all the various groups run on nearly parallel lines. Organized capital and manufacturing industry as well as agriculture claim the right to influence the measures of economic policy of which they are the objects; the more that state interference in these fields is expanded, the more urgent are their claims. Organized labor announces a similar claim, and with even greater fervor be-

cause it is farther from realizing it. Labor is no longer satisfied to deal only with its own immediate material concerns, with wages and conditions of work. Its goal is recognition as citizens in industry, equally important and therefore with equal rights as capital. Thus it wants a voice in all the economic, not only the social, questions of the country and claims the right to throw its influence into their decision. Like the other groups labor feels itself entitled to share responsibility and participate in administration in all affairs in which it is involved.

These goals of organized capital and organized labor are supported by various developments in modern life. There is, for example, the tendency toward industrial monopolies, comprising whole branches of industry, and subsequently the problem of their control. There is also the increasing tendency toward the formation of compulsory monopolies, cartels and the like by the law of the state, when for one reason or another it regards the survival of competition in a particular field as no longer compatible with the general interest; thus here too arises the problem of control, even more urgently. There is finally what has been in this country the boldest step in this direction: the attempt of the National Industrial Recovery Act of 1933 to organize not only exceptional branches but the total of American manufacturing industries in units resembling these compulsory cartels, each branch ruled by a code of fair competition which served somewhat as a constitution for the industries concerned and which was to enable them to become self-governing.

For the present discussion the important point in these tendencies toward state-controlled, self-governing monopolistic organizations is the remarkable fact that for these different organizations in different countries one typical form has emerged, a form much the same as that taken by the organization of industries (particularly in Germany) during the

World War. This is the scheme: in the ruling bodies of these combinations there are representatives first, of the enterprises themselves, then of the employees, then of the consumers and finally the government retains for itself a certain position of final control and decision. In the words of General Johnson the NIRA asked for "co-operation between industry, labor and government as one great team." But the different members of the team did not have equal strength. In Germany too the attempts toward this "joint management" were not encouraging. The control by the government was inefficient; the actual management remained in the hands of the entrepreneurs; the consumers' representatives were weak; and the representatives of the employees pursued their own group interests, often, for example, complying with the wishes of the entrepreneurs for higher prices if the latter consented at the same time to raise wages. This "profit sharing" is no argument against labor's participation in these bodies for in fact its participation serves, much as the shop councils serve in the single enterprise, to give labor a better understanding of the conditions of industry; but it is a warning against any ideology which would envisage the weakest part of the social structure as guardian of the public welfare.

At all events the occupational organizations' drive for power found in these attempts at least an outlet. Certainly not a satisfaction. The drive for power will last. Notwithstanding the Supreme Court's decision against the NIRA the act itself contained what is possibly the starting point for a further development. It established an Industrial Advisory Board, a Labor Advisory Board, a Consumers' Advisory Board. To form an American "vocational parliament" theoretically only one step was lacking: to bring these three boards together in one comprehensive body. This was the solution found by the German Republic, and also by France.

There is another development, however, that supports the

claims of organized capital and organized labor for an acknowledged place in the political organization of power. This is the widespread feeling that politics has been dragged down by its frequent intermingling with economics. Formerly, so runs the argument, parliamentary debates were filled with the great problems of humanity, leadership, freedom and the rights of men. Today these debates are packed with the tariff for the pin-makers, or the fixation of prices for cocoanuts, or the building of a highway from x-town to y-county or unintelligible currency questions. And thence the conclusion: let us shift all these material troubles and struggles to a body representing the occupational organizations; there are experts who may decide upon them; let us have industrial self-government, self-administration of economic life by the economic groups themselves; then the political parliament will be free again for the great problems of the nation.

All this sounds very persuasive, but the argument is nonetheless untenable. Those experts may know a lot of details in their particular industry, but what is needed is an understanding of the interrelationship of the single parts forming the whole. And even if the experts believe they have this understanding, if they are proud of calling themselves the economic leaders of the nation, actually they do not act, or at least they do not act primarily, as representatives of experience and knowledge but as representatives of interests. This is the crucial point and it must not be overlooked. Interests are involved in all these matters of economic policy, interests of particular groups contrasted to those of other groups. And therefore they are not neutral questions that can be decided in an objective way by experts. They are political questions that must be decided by power. Economic policy is after all policy—policy with an economic object. This part of state policy cannot be left to the decision of the particular interests involved, any more than can any other part of that policy. The state

there is also the possibility to add to the representatives of special interests learned experts without any interests of their own. Even the distribution of voting strength in such an advisory council is of no great importance. It is quite admissible, for instance, to grant the same number of seats to the representatives of the employers and of the employees, for there must be no vote by majority. If on a certain question both classes consent, so much the better; if not, each group may give its separate verdict as advice to the deciding parliament, whose negotiations may thus be freed not from the economic questions as such but at least from their wearisome details. As a matter of fact, such a national economic council amounts to a legalization of the lobbies, a transformation of lobbies from an unorganized and concealed activity into an open legitimate organization. It would be too optimistic to assume that the establishment of such a council would mean the total abolition of the lobbies; the latter would *continue to use* their means of pressure and to fructify their connections with the political parties. But there would be less need for this activity. And the council would afford the great advantage of bringing together the representatives of the different class and occupational organizations and of compelling them to take into consideration and to try to understand the points of view of the other groups. It might thus fulfill an educational task not only for the representatives of the government, who would have to negotiate with it and thus keep permanently in touch with the working body of the people, but also for its members themselves, strengthening their responsibility by entrusting them with the duty of advice.

All these are practicable means of reconciling the claims for class and occupational representation with the necessities of democratic government. But they could not entirely do away with the competition between occupational and political organizations. The growth of occupational organizations is a

natural and necessary result of modern economic development; to a certain extent they have also accelerated and strengthened the tendencies toward industrial concentration, large scale production, state intervention and the like; by their very existence occupational organizations support these tendencies. This suggests the dangers which, for all its positive values, are implicit in this organized group solidarity. Group solidarity is less than solidarity; that is, it may accelerate the disintegration of the people already resulting from the social-economic development. And this may occur the more easily since the growth of the organizations means at the same time the growth of their bureaucracies, which are inclined by nature to regard the organizations as an end in themselves, to widen the differences, to foster particularism. In all capitalist countries there are a great many entrepreneurs much more ready to deal fairly with their employees and to bargain collectively with their unions than are the salaried syndics of the employers' organizations. Furthermore, the stronger the organizations of material special interests, the more they are able to bring the political organizations under their command and the more endangered are the cultural and idealistic forces which may give shape and coherence to the life of the nation. Finally, the more enthusiasm and faith are bestowed on class and occupational organizations, the less may remain available for political beliefs, the less strength may be found for the defense of democratic rights and institutions.

Those who want to destroy democracy may be content with such a development. But it should be remembered that the Italian and German trade unions were destroyed with democracy. It was Ferdinand Lassalle who taught the workers to distrust everyone who did not demand as his first aim a free and equal franchise. He knew what history has proved

abundantly since: that peaceful progress toward economic and social democracy can be made only when and in so far as it is backed by the actual power of political democracy and by its supremacy over group interests and group power.

## II

## PARLIAMENTARISM

*By Hans Simons*

EVERYONE today pictures democracy and parliamentary institutions as on the defensive or already definitely in retreat. On the European continent, to be sure, these institutions have been the object of constant attacks, especially by the groups which had profited by them: the workers and the big industrialists. But in many countries the struggle for a really popular form of government has not yet begun. There are states where anti-democratic dictatorial or semi-fascist patterns have grown out of autocratic, monarchic or militaristic forms of government, not out of democracy. Moreover, there are still at least one and a half billion people who have not yet reached national independence and who have not yet faced the question of whether they will adopt some form of democracy or will pay for a so-called freedom in foreign relations by an internal loss of liberty, a price which often accompanies nationalistic revolutions. Thus it is a crucial question for the future whether democracy and parliamentarism can gain in strength and influence not only in comparison with dictatorship, but in their intrinsic value and in their capacity for expansion.

When trying to answer this question it should be remembered that democratic representation was reached slowly and gradually. For a long period some groups were not admitted to a representative body, because of social or political, racial

or sex considerations. Even in Great Britain a genuine universal suffrage was not achieved until 1928. The United States introduced votes for women in 1920. Germany obtained universal suffrage in 1918, when Great Britain enlarged the franchise and made women eligible. Belgium waited until 1921 before giving restricted suffrage to women. France and Switzerland have not yet introduced it. On the whole, universal suffrage in democratic countries has become general only since the war. Whatever conclusions may be drawn from recent experiences and events could therefore be questioned as premature.

There is, on the other hand, another political process which has a long history and must be considered. For a long period members of representative bodies shared the same fundamental ideas regarding the society to which they belonged, the economic situation in which they worked, and that whole set of beliefs and relationships lying outside the realm of politics. This unity of background was evident also in a unity of stage and action, for representatives were called, invited or elected from the same social group. This group, to be sure, enjoyed a certain independence which allowed some measure of individual decision to its members. As far as this freedom was restricted it was mainly by the power of the king or government. Later the representative body ceased to depend for its own importance on the might and power of the king or government to whom it represented the people and before whom it became active, but depended on the political importance, standing and strength of the social strata which it had to represent. Representation drew its significance no longer from the fact that it confronted an outside authority, but from the fact that it developed autonomy inside society. Though it is difficult to fix the historical date this may be called the dawn of modern parliament.

Since then parliament has been a form of representation in

which the represented group itself decides who shall represent it. By this representation it is given a chance to share in government. A body whose membership is appointed or is determined by hereditary or vocational criteria, and not by decision of the represented group, cannot be called a parliament. Representation must be conceived as a means of self-government in order to be called parliamentarian. Thus even representation of a minority of the population, as in the earlier stages of the British House of Commons, may constitute a parliament; whereas a majority representation will not be parliamentarian if it is anti-democratic in purpose, as is true for many forms of so-called representation in dictatorial states, which entirely reject the idea of popular self-government.

Parliamentarism also presupposes freedom; parliament is the liberal element in democratic government. But though liberalism does not imply the existence of a parliament, parliament implies the existence of liberal institutions. Forms of representation that occur in other types of government—and they may be very effective—have to be given other names. For a true liberalism means that the prevalence of power has been replaced by the prevalence of reason.

To be sure, reason is prompted by interests; the independence of interests is asserted when they are brought into discussion and their realization is guaranteed by their chance of entering into a working majority. In the past the political power had the authority to define "better" interests and upheld them in the decision. Now the "better" reasons themselves claim their right to form a majority, and hold that the majority is the instrument through which the decision can be reached. As soon as the correspondence between interests and reasons is disturbed, that is, as soon as the majority ceases to represent the same political and social background within parliament as outside of it, parliament faces the first difficulty of its adaptation to social life.

All schemes of representation on other than orthodox lines are unsuccessful attempts to cope with this difficulty. On the one hand, voting power is restricted for those who are economically weaker, and enlarged for those who are economically stronger; thereby economic and political inequality are mutually increased, and the struggle is merely embittered. On the other hand, representation is shifted from the people in general to economic and cultural groups, which are represented according to their "real" importance. But no scheme of representation has yet been found which is more congruous with either economic or political reality than is the democratic parliament. The so-called organic or natural representation of corporations, estates or other groups becomes artificial as soon as its qualitative importance has to be expressed in quantitative terms. Party representation and majority rule are quite naturally expressed in terms of numbers. But a numerical representation of vocational groups becomes a disintegrating factor, even though the rift may be hidden by the forcibly applied techniques of integration which are a main feature of the authoritarian state. For the time being, parliament in its classical form can claim two distinct advantages: it uses social tension openly, as a factor of political development; and it brings about a slow perhaps but steady and increasing social adaptation. The Congress of the United States, though checked by the Supreme Court, gives ample evidence thereof.

There are minor yet important factors which make the devices discussion and majority useful, and their disappearance may endanger the ideological as well as the pragmatic function of parliament. In its earlier stages parliament was a body united by general notions, patterns, codes of behavior, and by common interests. The gentleman, who did not use his fists, whatever means he may have used instead of them, accepted and used the symbols, enjoyed the game as an end in itself and thereby strengthened its results. The rise of differing

interests breaks this harmony of forms. The rules of the game are neglected by the necessity for struggle. Parliament is threatened by this incompatibility of traditional etiquette and the growing forces of dissension. When the Independent Labour group entered the House of Commons, and its leader shouted abusive words and curses, some old-fashioned members may have heard in his words the death knell of parliament. But what they were witnessing was merely the widening gap between the reality of social facts and the unreality of political pretexts which had hitherto made whatever happened in parliament seem somewhat shadowy in terms of economic reality.

Nobody can deny the power of ideas in fighting against social disintegration, and in building up democratic representation as a valuable means of government, first for the people and finally by the people. Yet today this ideological apparatus is somewhat like the wig of the British Speaker, rather pompous and impressive, sometimes ornamental, yet not essential for what is going on in the head under that wig. The working system always had its deficiencies. Common knowledge of these deficiencies increased, however, as the suffrage became more general. The groups aiming at participation liked to glorify parliament, while the groups using it knew of some failings. Parliamentarism and liberalism, which for the purpose of this discussion cannot be separated, and also the liberal and democratic elements within parliamentarism, are interlinked by action and reaction, furthering one another if accepted and impairing one another if doubted or distorted.

In developing discussion as a means of equalizing opposite interests parliament had to adopt some features of what is known as the liberal method of reasoning. In facing its task, which was theoretically defined as finding the truth, parliament had to grant its members the right of free speech—which in turn had to be safeguarded by preventing any misuse. In

order to help in finding the decision, symbolized by the majority vote, the minority in any stage of this process had to be protected against the former or the coming majority. Since parliament is a representative body elected by a free choice of candidates with free vote, the election likewise had to be protected. Therefore the means of public enlightenment had to be protected, and hence freedom of speech outside of parliament had to be assured, although this protection did not go so far as that for the member of parliament who was allowed during discussion to violate public or private interests without being held responsible in a legal sense. The more representation was split into different groups, the more these groups had to be free to organize their constituents and their electoral body; hence the right of assembly, with all its implications. Except as they refer to religious rights, all these constitutional rights are not primarily a result or a corollary of democracy, but are the effect of parliamentary experiences and needs—essential to democracy only in so far as democracy and parliament are historically combined. Liberalism, the abstract justification of these rights, is therefore directly attached to the idea of parliamentary representation, and to discussion as its foremost function, but is only indirectly connected with democracy, which can have other means of working.

In parliaments the result of reasoning should be action. This action, either limited as it once was to advice, or broadened to full legislative activity, demanded other safeguards. These safeguards were primarily to protect the representative body from the king or ruler, from the administration, and even, during the single legislative term, from the electorate. Such protection had to be extended also outside of parliament, which means protection of one group from another, of the minority from the majority and vice versa, and finally of society as a whole from that group which formed the govern-

ment. All these different elements of protection are combined in the special rights relating to the forming and functioning of parliamentary representation. Without remaining vestiges of such conceptions as that of an independent governmental force reacting against its critics and controllers, immunity for the members of parliament and secrecy of the individual vote would be inconceivable. Most certainly they are inconsistent with the democratic idea that ruler and ruled are—and have to be—identical. The fact that parliament is suspicious of the government it has created is very significant. Strange as these safeguards are in the light of democracy, they serve the additional purpose of protecting the constitutional power of parliamentarians and partisans from the pressure of vested interests and their extra-parliamentary means of action.

The liberal character of those safeguards is tempered by the function of parliament, which is to provide a unified body either for advice or for decision, either for taking part in the government or for forming it. The tendency toward unification becomes so strong that some liberal safeguards are partly omitted. The majority identifies itself with the parliament and the latter with the government. (The party is a momentous factor, which is discussed elsewhere and need not be considered here.) If there is no solid party majority unification may be brought about by compromise. But when the minority group or party does not give in, the anti-liberal devices of the whip and the caucus, gag rule and voting-down are applied. Unification achieved by such means is, however, needed only when there has to be identification of one kind or another between parliament and government, in other words when democracy develops out of parliament and stiffens its technique. It is safe to say that logically and historically such oppressive methods are characteristic devices of democracy, not of parliament. But parliament contributes to developing them

because of its contradictory task of representing a disintegrated variety as if it were an integrated unity.

If one looks at parliament in its present form, trying to find some common qualities in the very different institutions, one finds the traits of all the divergent forces and influences here described. But one sees also that some of the historical tasks pertaining to parliament are undertaken by other elements of political organization, even in democratic countries. There remain nevertheless two groups of functions fulfilled by parliament: party functions, which are crucial because parties thereby maintain themselves as an essential part of liberal democracy; and state functions, which are equally important because through them parliament qualifies itself as an essential institution of the liberal state. Yet even these functions are narrowed by the forces which confront parliamentarism with new methods of democratic representation, control, unification and self-government.

As to parliament's party functions, the parties' parliamentary representation gives them some advantages in terms of spoils in the ever enlarging area of state influence; but on the other hand the development of party bureaucracy, oligarchy of the elected, who really rule the electors, rotation in office and similar devices, all narrow the opportunities available to the party rank and file for getting something valuable and useful out of the state. If, as has been proposed, the government should pay what the parties need in order to maintain their organization, then this already narrowing parliamentary function of awarding party members would vanish altogether.

The other important task of parliament is the forming of an elite. The point will be discussed elsewhere, but it may be said here that the parties themselves usually fulfill this function, however imperfectly, through their internal debates, long before parliament offers its larger setting to intra-party controversy. Furthermore, legislation is increasingly becoming

a purely technical task; it can be influenced and controlled by parliament but its initiation is shifting to the uncontrolled power of the governmental staff. These governmental administrators, by enabling acts, are given discretionary power or are otherwise enabled to create the *fait accompli*, yielding to jurisdictional rather than to legislative powers—if they do yield. Nevertheless, the greater moral strength which a parliament derives from its functions in the state defies these encroachments. This strength lies in the symbolically representative quality of parliament. Every enfranchised citizen, even if not represented in the active government because of his party allegiance, is supposed to be represented in parliament. To be sure, the general franchise has taken away most of the twilight aura in which parliament formerly loomed as an arcanum for all sorts of social and political ailments, and moreover a citizen today can find other ways of feeling his relationship to "his" government. But in spite of all this, Congress or the House of Commons can still be at least as inspiring as the new forms of mystical union between citizens and government pretend to be.

There are still other elements weakening from outside the power of parliament. They belong to what may be called reversed democracy. Formerly democracy was a relation between two real units—real in so far as they were politically active: a uniform government and a unified people. The contact between them was itself a means of integration. There was not only a common moral, social and cultural background, but there was also an undisputed unity partly because of the limitation of the franchise, partly because of the relative isolation of the single states. This unity was destroyed by the industrial revolution. The turning point is not an event which can be fixed by date and circumstances, yet when it was passed the reversal from integration to disintegration became more and more manifest. Today we have parties and eco-

nomic organizations which strive for types of unity different from those which used to be celebrated in parliament; we have organized mass pressure, radio and newspapers as substitutions for many tasks which were formerly fulfilled by parliament.

All these forces are working without the mitigating influence of what representation means in terms of self-respect, responsibility, self-control and reliability. Enormous popular forces are at work—but are reversed from integration to disintegration. Parliament is overruled by plebiscite. Corporate, totalitarian or plainly military organizations claim to be stronger integrating forces than parliament can provide. The government centralizes its power in order to prevent the dissolution of its authority, thereby making the citizens more and more dependent, politically and economically. These citizens in turn, dissatisfied in spite of all governmental activity, seek to oppose the integrating forces. In the ensuing struggle the role of discussion as a creative factor of decision is doubted, and parliamentary debates become less important. Hidden interests are stronger than open persuasion, and behind the secrecy of the vote lies the anonymity of those who direct it, coercing the will of the underprivileged, using for arguments irresponsible means of propaganda.

Yet these very forces may transplant some valuable elements of parliamentarism into a broader field. During the election campaign, especially in the countries with a two-party system, discussion is brought before the whole electorate, and the people, though in their nomination of candidates dependent on the party machines, are free to choose between the different issues, simplified yet at the same time impressively personified in the nominees. The more far-reaching the propaganda and the participation in the political dispute, the more important become the guaranties of freedom developed for and by parliament. The tragic absurdity of mere political propa-

ganda, not dignified by the liberal ideals which first developed it as a means for their ends, becomes obvious where it is seen from this point of view. The party machine, bad as it may be, serves a purpose of political productivity, for it permits a choice, though the alternatives it offers may seem to be arbitrary when their issues are forced into the Procrustean bed of party platforms. The propaganda machine of the totalitarian state represents in itself "reversed democracy." It heralds blatantly the choices which have already been made and which should be the result of its effort, and its achievement is the deafening noise which is otherwise only an unavoidable by-product of well-run party machines.

The deficiencies of parliamentarism lose importance if compared with such devices. The method of forming political decisions is slow, but only because there is discussion left. Many of its results are mediocre, but only because they are reached through compromise. The standard of parliamentarians is not always very high, but only because they have to represent the average citizen and to keep in contact with him. The ideal unity is split by parties and factions, but that assures discussion, which gives publicity and information. Parliamentary encroachment hampers the useful activity of government, but it also checks its autocracy and controls its decisions. After all, to improve the methods and reconsider the competence of parliament today would mean only chlorinating the water, not purifying it at the source.

Much more interesting is the question whether there are genuine forces and substantial forms of parliament which can serve the goal of democracy even in the changed circumstances of our time. In so far as parliament is by its historical destination a magistral body and not itself sovereign—only the people being sovereign, acting through a representative body, an administration or government and a leader—it has something definite to offer to the idea of government by the people.

In so far as it is associationally appointed—election from the broadest basis to smaller bodies, not the fascist inversion—it has a definite task in every form of democracy. In so far as it provides the means by which the people as a supposed unity rule the people as a practical plurality, it is indispensable as long as the people are free to be diversified. In so far as it enables a majority of the people to identify themselves, as the ruled, with their representatives, as the rulers, it remains the basis of democracy in spite of its deficiencies.

Freedom is explained by a time-honored definition as two-fold: formed partly by the possibility of alternately ruling and being ruled, and partly by the opportunity of living as one pleases. This formulation does not fit into the era of masses. Here freedom to live at ease is necessarily restricted by the organization which enables the masses to participate at the same time in ruling and in being ruled, an organization which by its very purpose needs compulsion and even oppression. The problem, however, is not that of adjusting the old technique of representation to the new era, but of having the substance of representation revived in the new condition. The lasting elements of what has been conceived as representation hold for many types of democratic rule, whether it be by one universally elected head of the government or by officers generally elected to the main offices, whether it be by indirectly elected representatives chosen in local units and forming the next electoral unit, during any number of intermediate stages, or by directly elected representation which is conceived as and bound to be a unit before it is formed. These lasting elements, bequests of parliamentarism to democracy, are free choice of the candidates, free vote for them and control over them. But parliamentarism itself stands out as the only form wherein other important elements are combined which today are most contested: discussion, which is the only method of reaching a

free compromise for differing interests, even though it does not in itself offer a principle for finding decisions; majority rule emanating from free choice, which is a better substitute for unity than is enforced unanimity, even though it cannot always replace social homogeneity; and parliamentary immunity, which protects independence and freedom of criticism and control, even though it cannot create them.

Other forces of reintegration, to be sure, will emanate from social innovations creating new moral and political standards and thus overcoming the effects of the industrial revolution. But that, of course, leads into a different subject.

## POLITICAL PARTIES

*By Max Ascoli*

THE problem of the relations between political and economic democracy is the contemporary form taken by the problem of the relations between state, or political power, and society. The sector of the social area which is occupied by economic organisms is today the center where our anxieties converge and from which our dissatisfactions arise; the insecurity of economic things appears as both the embodiment and the cause of the uncertainties in our individual and social life. We do not know whether the political organs which are to exert some control on economic activity are adequate or whether they are to be entirely changed. The institutions of democracy must be inserted more deeply into economics, but we do not know whether in this process they are going to be strengthened or destroyed. The relations between state and society are to be defined anew, the boundary line between the two realms is in many points blurred, with dangerous areas of no-man's-land lying along the way. How much political regulation does social life allow in a given country? What is the social recoil of political interventions? What are the lines of possible political reconstruction which lie hidden and scattered in the social humus and which the mind can discover and organize?

The strip of territory between state and society, even where it is enlarged into a huge no-man's-land, is not unexplored

or untrodden, as the missionary zeal of many reformers claims. On the contrary, it is taken care of by a specific group of institutions called political parties. The actions and reactions of society upon the state and of the state upon society are registered by these organs of mediation. Not only the contact but also the distinction between the two realms is to a very large extent entrusted to the political parties, so much so that political parties are the target of violent attacks by those who want every center of social activity to be directly regulated by a totalitarian state. It is important to study the parties because of the function they fulfill and because they offer a concrete view of the reflexes which political schemes engender when applied to social reality.

The state—every state, no matter how democratically organized—is inevitably remote from the life of its citizens, and the citizens can visualize it only with the greatest difficulty. Every state is dogmatic and categoric as compared with the infinitely diversified and complex reality of life. No matter what the origins and characters of the specific states, schemes must be devised which project the personalities and actions of the rulers in such terms as the ruled can grasp. This is called a translation of political power into popular symbols, and the expression would be fairly accurate if the increasing use of the term symbol did not reveal a tendency to get rid of complicated problems by all-comprehensive words. The state, with all its institutions and traditions, is not created once and forever, nor is it the domain of a superhuman race. It represents society and is derived from society; it is that section of the social structure wherein the loose ends of social organizations and habits are fastened together and knotted according to various styles. It is also that section of the social structure wherein choices are imperative and risks must be faced in making them. But in representing society the state becomes extraneous to it, and in organizing the collective

efforts toward the immediate future the men entrusted with political power enjoy a range of discretion so wide that political science is not able to measure it.

The potential conflict between society and its representation in legal institutions is the reason for the existence of political parties as organs of continuous readjustment between the two. In this alignment the state enjoys a privileged position, because it marks the ultimate reckonings of social conflicts and it faces the most pressing decisions. Thus it sets definite limitations on those organs, the political parties, through which it is to be constantly readjusted to society. If the personalities and actions of the political rulers are projected in popular terms that everyone can grasp, there can be no doubt that to a large extent the rulers enjoy the privilege of initiative. The people under any form of government need an idea of the individuals and institutes by which they are ruled; society, which is considered to be represented by the legal organs, needs to have the concrete working of these organs projected and clarified before itself. This is not a matter of symbols; it is the reality of a rough game relentlessly fought. This need is not a peculiarity of democracy but is inherent in every regime. It is indispensable, for the obedience of the people even more than for their self-government, that they know about the laws and the individuals they are to obey; their knowledge of them creates customs, familiarities, and even loyalties.

Under a democratic regime political parties are the most traditional instrument for representing the citizens and fostering their obedience. They are popular copies of the state, in infinitely different sizes, by infinitely different means, but with one essential feature: that they invite the citizens to "play at being the state." Thus the citizens can reproduce for themselves the experience that once led to the constitutional foundation of the state. These images of the state can

bestow on them a special type of citizenship of an entirely voluntary character. The traditional citizenship granted by the law is supplemented and dynamized by a number of privileges, the course of public events is seen by the party worker in relation to specific purposes, and partisan politics manages to drive in definite directions the development of legal institutions. Through the programs of political groups and parties new pieces of legislation are linked with or substituted for old ones which once were politics, though now they appear stiffened and crystallized in the dignity of positive law. The power of political parties is the greater the larger their size and the more closely they are molded upon their pattern, the state. Thus those who voluntarily assume a party citizenship propose or impose their own drive on the holders of the more static legal citizenship granted by law.

By this means the channels between state and society are built. The projection of the state over all the area of the social life is frequently a deformation or a caricature, and the process entails a great amount of inefficiency and waste. Yet for the working of democracy the advantages outweigh the drawbacks. Through the free and popular use of the pretense "If I were the leader" the people become trained to the understanding of leadership. In the process of closer and closer approximation to the supreme pattern large political parties are organized, which absorb and discipline the political groups and prepare would-be laws, would-be governments, would-be majorities, so that several staffs of men can be ready at any time either to govern and to legislate, or to control government and legislation. The political parties offer a constant vision of the social structure underlying the actual working of institutions; they represent the state as it is achieved and refashioned over and over again by different groups and classes. It is as if something of the immediate prehistory of a nation were preserved alive, as if those conflicts of interests

and ideas which found a compromise in the first organization of the state were transformed into traditions and habits. Thus political parties offer to the state the chance of being continually revived, and the risk of being continually jeopardized; they represent the state springing out of society and at the same time rooted in society: a complicated device which is a great achievement of political ingenuity—as long as it works.

This process is costly; it demands an enormous waste of time and of energy in the bickering of elections, of maneuvering, and of job-hunting. It is potentially undemocratic; the party worker dynamizes his own legal citizenship at the expense of the other citizens. Against this undemocratic trend of political parties there are no unerring remedies, because the enrollment has to be voluntary and this implies arbitrariness. The process is conservative; the reactions of state and society are maintained within the lines fixed by the settlement of the latest clash between the two; in other words, the popular playing at being the state tends to perpetuate the status quo in the political set-up. The process is also unsafe; it can stand only a limited amount of legal regulation, because political parties move in what may be called a pre-legal, pre-constitutional world. If too many individuals dynamize their citizenship through enrollment in conflicting political parties chaos may be the outcome; if too many enroll in one political formation dictatorship is the outcome. Finally, as has been frequently said, the politician must perform the function of a broker between state and society, between legal schemes and common sense, between conflicting interests and between conflicting classes. This wasteful, contradictory, insecure system of brokerage is held by many to be an outworn relic of the past, especially when there is urgent need of an active, realistic adjustment between state and society.

From almost every side, with various degrees of intensity

and various aims, attacks are launched against political parties. Moralists and reformers assert that the drafting of would-be legislation can be better entrusted to experts, and that the contact between legal institutions and individual needs can better be taken care of by social service. Fascism has got hold of an elementary truth: that since the democratic state derives its life from the variety of its reproductions, the destruction of them means the conquest of the state. Substitutes for political parties are found or devised in almost any country. Education to obedience is now the technical object of propaganda; in the totalitarian regimes the reproduction of the state in forms and sizes that everyone can grasp is rigidly standardized, with an efficiency undreamed of by the democratic states. The link between individual and state is successfully celebrated by the universal inspiration derived from a worshiped leader, and the brokerage between state and society is efficiently performed by a monopolistic party. Even where democratic institutions survive, "nonpartisan," "a-political" forms of public administration are advocated as the most adequate for bringing about political changes.

There is little doubt that the function of linking society and state can, in the present conditions, be performed by other systems than a free-for-all political competition. This would sound like the death knell of political parties if their function were only that of establishing a communication between state and society. But in democratic countries this function is only half their task; the other half, although it seems to be contradictory to the first, is actually integrated with it. The parties guarantee the distance between state and society, and they can perform this service only if a system of competition compels them to moderate that potential illiberalism which every party machine carries within itself.

As has been repeatedly proved, political parties, and especially proletarian parties, tend naturally to be oligarchically

or autocratically ruled, and intolerant of competition. These copies of the state reshape their pattern with a primitive roughness; new would-be laws of intensely popular parties bear little mark of inborn tolerance and equity. Political parties can be the most expedient instruments for abstracting and sifting the political instinct of the crowd; they can perform this function under a regime of competition, but they forfeit it if they become so strong that they follow uncontrolled their totalitarian bent. When political parties are on a competitive basis each of them projects a somewhat different image of the state, each gives a somewhat different direction and proposes a different set of leaders to the popular feeling. Competition obliges the strongly organized political parties to play in true earnestness the game of being the state, because at any election it may happen that the party leaders are actually transformed into government leaders. On the other hand, the would-be legislation of the party program is kept in abeyance, in a tentative and provisional sphere, because it has to stand comparison with other party programs and to face a final judgment by public opinion. It is the existence of this provisional sphere, where political activities are responsible and yet tentative, that safeguards the distance between state and society. The intolerance of popular instincts is mellowed, the primitive type of legislation likely to emerge from the crude imitations of the state is seasoned and ripened. Conversely, the rulers who issue their orders from the supreme organs of the state are sobered by the constant reminder that other forms of states or other interpretations of the state are emerging from society, and that their own order is only one of the modes through which the state can be ruled, a mode which is guaranteed by their personal responsibility. Political parties remind both the state and its rulers of their common origins in society. The dualism of state and society is the only warrant against the total absorption of society into the state,

that is, against the transformation of political life into an uncontrollable force of nature.

Political parties are not the only structures lying on the boundary line between state and society. The distinction is taken care of by the constitution in a formal and solemn way, while the human inclination to imitate the patterns of the leading groups provides the contact between ruling political systems and ruled societies. But possibly political parties are more important than legal institutions and more significant than permanent social habits. They combine in themselves both those elements: they give concreteness and political relevance to the most conspicuous social inclinations, and test the workability of the legal instruments.

Yet in our time, when the conflict between politics and economics shows with the greatest urgency the problem of the relations between state and society, political parties appear to many as outworn instruments of the past. Planners, no less than moralists, are impatient of professional politicians. The idea that a system of competitive political parties represents the most effective guarantee for democratic institutions is difficult to accept, and even if accepted it has no great appeal because it can scarcely stimulate adequate actions in the rough and tumble of the politicians' world. Professional politics is a rather exclusive business. It is one of the holes through which it is possible to look down into the various strata of social classes and economic groups, but the vision is of such a kind as to make one disconcerted and dizzy.

There is no greater danger to democratic institutions than this attitude of contempt toward politicians and politics. Certainly there is no more fatal attitude to those who are intellectually interested in social or political or economic problems, because it cuts their contact with their social background and reduces them to courtiers of the sovereign, be it a parliament or an oligarchic circle or a supreme leader. The desire

in many experts to obtain quickly a hearing and a test for their ideas, to carry a pet scheme across in a hurry, lest politicians surmise its implications, can make of the social scientist's contribution to politics both a nuisance and a menace to democratic institutions. Political parties reflect what society is; and the politician too is in his own way an expert, a sociological informant who happens to be located in that cross section of society where social ambitions become laws and laws recoil into social habits.

Political reforms when translated into terms of social and political behavior often determine opposite reactions from those the reformers expected; this proves perhaps the clumsiness of the reforming mind rather than the corruption of human nature or of professional politicians. Such has been the case with many new city charters and to a large extent with the primaries in this country, and it is certainly the case with proportional representation. It has frequently happened that the power of the executive was increased in order to eliminate the secret influence of the boss, but it was later realized that behind the strengthened executive there was a stronger boss, as if the boss were the shadow of the executive projected upon social reality. The multiplication of such cases should not induce social scientists to fatalism or cynicism, nor should it induce them to elude by outbursts of outraged *moralism* the duty of painstaking realistic analyses. Political parties and politicians offer the most actual testimonial of what society is, not because they are always representative of the society in which they prosper, but because of the very fact of their existence. They need not be accepted at their face value nor dramatized as representing permanent trends; they must be interpreted with a realistic conception of the relations between state and society. Social scientists must think in terms of state and of society at the same time; the conflict

between the two points of view is the greatest stimulus for their researches.

The movement toward economic democracy is only in appearance favorable to non-political, non-partisan, technical forms of governmental control. In reality it is driven by the motive of spreading political control into economic life. It is a specific interpretation of the state which responds to the needs of certain social groups, mainly the lower middle classes. Frequently this interpretation is advocated by political parties which on account of their strong partisanship refuse the time of waiting and the tolerance required in a system of competitive politics. This is one of the main reasons why economic democracy may develop into a danger to democratic political institutions, a danger aggravated by the restlessness of reformers who as self-appointed interpreters of social emergencies want at any price to have their schemes tested and enforced. In other words, the movement toward economic democracy reveals not a deficiency but rather a superabundance of political instincts and purposes. Many new forms of political expression and articulation are discovered or rediscovered along the path toward economic democracy, such forms as shop councils, occupational organization, industrial or craft unionism, leisure time groups. The political pressure developing out of the medley of new political forces is so overwhelming as to threaten an amalgamation of state and society; if, however, it is filtered and utilized through proper organs it can offer huge possibilities for social renewal. The danger that rich political potentialities may be botched in some hasty dictatorial way is one of the weightiest elements of uncertainty in our time.

Political parties can still be the most adequate organs for extracting and controlling the political energy running through society; yet today they have to stand the competition of many new political instruments which aim at the same

goal. The revolutionary syndicates in prewar Latin Europe, the fasci in Italy, the soviets in Russia, are clear examples of these new forms of political organization and of the career that they tend to follow. No matter how illiberal may be the inner structure and tendency of political parties, the modern substitutes for them are even more unfit to work in an atmosphere of tolerance and of compromise. The means are still to be found which may protect and discipline the competition of different trade unions within the same plant. A conflict between opposite fasci or national socialist groups can scarcely find a solution except through blood and iron. Even those special kinds of substitutes for politics which are called planning boards frequently reveal a devastating haste and intolerance. The same can be said of owners' or employers' protective associations, occupational organizations, or pressure groups created in order to translate into law a pension system or certain principles of "social justice." Old machine politicians know how to compromise, but the new politicians of the new political bodies do not. Therefore the professional game of politics in the democratic countries tends to be more and more confined to the shabby maneuvers of electioneering, while new political formations try to concentrate, each one for itself, as much as possible of political power. There is a certain degree of political pluralism in society which makes unavoidable a totalitarian rule in the state.

To avoid these dangers there are no rules of prudence. Everything is without rules in this pre-legal, pre-constitutional world, where political parties have their existence and where the political democratic order has its foundations. One can only see toward what directions it is conceivable to move in the hope of preserving democratic political institutions from being disrupted by the new political forces created by capitalism, by modern technology and by the need for economic democracy. Political parties have to be readjusted so as to ab-

sorb the political energies of our time and to prevent them from running wild. Possibly something more than the horse sense of the old-school politicians is needed in order to measure and to catch the new political forces. The party politicians that our time demands need to instill more science and more statesmanship into their traditional instinctive grasp of popular feelings. Political parties are like experimental theaters where the dramas of history are rehearsed before being solemnly and definitely enacted. These forms of preparation and selection are the more needed when essential reforms are in the making and when the new forces are impatient to play their role immediately. Through revitalized political parties the reforms advocated by economic democracy can be debated, subjected to popular reactions, projected in popular terms, so that each of the final choices may be represented and given weight by an organized body of opinion. These choices are at bottom two, just as political parties always tend to be reduced to two: for or against an atmosphere of freedom in the shaping of the new forms of state springing up from society. It is impossible to know in any specific political conflict how right and wrong, wisdom and ineptitude are distributed between the opponents. But when political parties are solidly organized and frankly competitive their very existence and coexistence imply the guarantee of liberal solutions.

## DEMOCRACY AND ADMINISTRATION

*By Arnold Brecht*

IT IS becoming apparent throughout the western world that voluntary individual action is no longer able, if it has ever been, to cope with the complex conditions of modern life. Defense, police, education, health, transportation, national resources, economic security—many of the most important problems of the individual and his own family group have become concerns of the people as a collective whole. The general trend of thinking and feeling is in terms of solidarity, of common efforts toward overcoming common plights. Any attempt to run counter to this trend and to stand pat on the attitude of individualism seems to encounter failure, if not for merely economic reasons then because of the hostility of the people. It would indeed be contrary to the principles of democracy to ignore this popular demand; the demand cannot be proved wrong in a conclusively rational way, however earnestly one may point to the grave dangers that threaten from faulty attempts at regulated collective action and to the slackening in individual effort that must be expected from the spreading confidence in social service at public cost. In the dialectic Armageddon between equality and liberty, no matter whether we take our stand with the impetuously assailing forces of equality or the reluctantly receding defenders of liberty, we cannot hope for any new status of peace without, in the social and economic field, definitely abandoning ground to equality.

This advancing process of "disindividualization" of democracy involves two problems in the sphere of administration: first, whether and how democratic administration is able to meet the increased demands for collective action; and second, whether the implied changes in public administration affect the very essence of democratic government to such a degree that government is in danger of ceasing to be democratic.

These problems cannot be discarded a priori by the simple assertion that democracy is bound to individualism and does not, therefore, permit any expansion of public administration under collective views. All important as the issue of collectivism *vs.* individualism is in the economic field, democracy does not, by mere definition, prescribe one road or the other. Constitutional limitations may prevent some countries from taking the collective road, or may place handicaps in the way. But such limitations are hardly inherent in the idea of democracy, and when they prevail we should be entitled to speak of a constitutionally limited democracy, much as we used to speak of constitutionally limited monarchies.

The essential criterion of a democracy is that the people can change their government by the free use of their voting power. If this characteristic is lacking we cannot speak of democracy in the internationally accepted use of the term. Because in the United States the people are allowed to change the legislative and executive branches of their government every two, four or six years, we call this country a democracy, despite the constitutional limitations placed upon the absolute democratic will. And because the British cabinet, at least since the beginning of the Victorian era, is responsible not to the king but to Parliament alone, and can be changed by a vote of censure in the lower house, we speak also of Great Britain as a democracy, indulgently passing over her serious inadequacies in social equality. Such characteristics as equality,

regard for the minority, guarantee of individual liberties, important as they be, do not in themselves constitute democracy nor does their restriction necessarily invalidate democracy, unless such restrictions affect the people's right to change the composition of the government by the free use of their voting power. Prewar Germany was not a democracy, despite the guarantee of individual rights and judicial independence, despite the fact that no federal law could be passed, no significant financial action taken, without the consent of the universally elected Reichstag. She was not a democracy and did not claim to be one, because the princes, through their plenipotentiaries in the federal council, could veto any bill and the people could not overthrow either the ruling princes or the cabinets appointed by them.

This characteristic of democracy is at the same time the source of its strength and of its weakness. It is a source of strength since it entails a certain degree of political and civic, though not necessarily of social and economic, liberty and equality; of weakness since it entails instability in the guidance of public affairs. This is the origin of the typically democratic problem of administration. Any democracy faces the peculiar difficulty of finding a way to establish and maintain a consistent administration in spite of recurrent changes in the majorities that determine the character and composition of its heads. This difficulty exists neither for stabilized dictatorships and absolute monarchies nor for governments of the prewar German type. It is peculiarly democratic.

In stressing this formal criterion as the very basis of the present discussion I may provoke doubt and contradiction. Ardent champions of democracy, both of liberal and of equalitarian bias, sometimes declare that we should speak not so much of the formal requirements of a democracy but rather of its substance. This is a gratifying distinction. Substance *vs.* form of democracy sounds promising and progressive. It seems

boring to stick to a formal criterion. It seems irrelevant whether we have a formal democracy if we but establish a good substantial democracy. But I may point to the fact that this is the very way in which the advocates of dictatorship also argue. In a distinguished debating club in Germany in 1932 Professor Carl Schmitt, later one of the leading jurists of the National Socialist government, asked the audience not to dwell upon the form of democracy but on its substance. Indeed, if we discard the formal concept, anyone who thinks he has solved the social problem by some device might argue: what I propose will bring about true substantial democracy; let us usher in this plan by a dictatorship and we shall be saved. Whatever this may signify for the good of the people it does not mean maintenance of democracy, but its abandonment—at least for a while. This is what communists as well as fascists and National Socialists propose, what they declare to be inevitable.

Is it inevitable? Serious thought should be given to the question of whether a democratic country may meet the new economic and social demands without abandoning democracy; or what restrictions of democratic forms are necessary. In the field of administration such thinking may lead to a reconsideration of the present constitutional limitations of majority rule, so as to free administration from particular handicaps. Adoption of a policy of collective efforts may call for new and different limitations in specific precincts in order to secure consistency, both of the plans and of their administrative execution. It is the task of science to discuss the formulae for such potential future development, lest in some profound crisis democratic government should be superseded in all fields for lack of preparation. All American democrats, whether they be friends or foes of collective views, ought to be equally interested in making it quite clear that if necessary such views can effectively be put into practice also under a democratic sys-

tem, and that therefore collectivist creeds in economics do not necessitate the transition to wholesale anti-democratic systems. For one hundred and fifty years it has been the strength and the main distinction of American political life, in comparison with the major continental European states, that practically all citizens have acknowledged democracy as its worthy basis. Unless it is equally acknowledged that democracy does not necessarily stand in the way of collective efforts, this vantage ground will be lost and democracy will have no chance of remaining the common, universally accepted basis of American thought.

Such a way of looking at the economic problems may lead a democratic legislature more or less to sever individual branches of administration from their connection with politics, to make them more or less independent of the changing heads of the government. But this should not fool us into evading the formal criterion of a democracy. If it should some day happen that the right to change the heads of administration by the free use of voting power is denied in all important fields, *from that day we should no longer be justified in speaking of a democratic government, however glorious the real or alleged "democratic" achievements might be.* Democracy would then have been transformed, not necessarily into a dictatorship but perhaps into a constitutionally limited autocracy or some new type of government; democracy would be gone.

Hence the importance of the problem: how to combine a system of changing governments with the organization of an efficient and impartial administration, in a period of expansion of the administrative functions. It is this expansion of administrative functions that gives the problem its special urgency. *Laissez faire* as an economic tenet fitted in excellently with the administrative peculiarities of democratic government. If government must not interfere at all with business

it does not matter that government may often change. The more intervention, however, the more important the implications of changes will become.

It is, then, no casual chance but a deeply logical development that the question of a reform of American administration is just now being pushed to the fore from many sides. The structure of administration, expanding in scope under the new demands, cannot be left as it is without seriously endangering democracy. Shortcomings that could be overlooked indulgently in a small administration with few functions, cannot be passed over now when administration is growing and assuming huge collective tasks. It must be made an efficient, flexible and economical structure, competent in every part and commanding confidence in its impartiality and incorruptibility. To realize this goal under changing governments means to detach the public employees from the political parties and to make them "neutral." It means further that the employees must find before them when they enter public service satisfactory chances for a career service on the basis of merit. These are the well known suggestions for avoiding the Scylla of inefficiency. I shall go into a few particular points concerning this side of the matter before turning to the Charybdis of bureaucracy.

It is futile to discuss whether administration in a democracy should be political or non-political. What is political, what is non-political administration? It could be answered that nation and state are political bodies and that any service rendered to nation and state is therefore political. Such an answer would not be merely a play on words. Even services apparently neutral have an innate political character that may emerge on particular occasions, as when the country is at war or has to face revolutionary movements or a great strike. Neglect of duties or participation in a strike involves different issues when the government is the employer and when a

private entrepreneur is the employer. Even the normal functions of administration do not permit a clear differentiation between political and non-political activity. To believe so would oversimplify the matter. If the head of the treasury tells his adviser that he needs a billion dollars, the adviser may perhaps restrict himself to answering: "Mr. Secretary, you may get the money by the following four or five different ways; the raising of it would take this or that period of time; the implications would be such and such." The actual decision, including the judgment on political issues, would then be made by the head of the department. But as a matter of fact it is scarcely possible for such advice to be completely neutral. The enumeration of advantages and implications usually includes a conscious or unconscious evaluation, and any such evaluation is politics. Few definite solutions can be contributed by science. The definite contributions of science are of course of the highest importance, and they should be known and followed. But they cover only a small part of the many administrative decisions that must be made every day, and beyond this narrow field politics and experimentation begin. If a counselor advises his superior to take a strict or broad view in applying the constitution, to place higher or lower burdens on income, to restrict or extend public works or relief, to promote a compromise in foreign policy or to enforce a point, no complete scientific neutrality is conceivable. Evaluations are always included. Even the construction of a building by such an apparently neutral body as the Tennessee Valley Authority involves a great many decisions that are not merely scientific. Whether the buildings of federal authorities should be monumental or very modest, whether the bureaus should be meagerly outfitted or imposing, these are political questions. So also are the rulings on the scale of wages or on the rates for electric current.

Since the situation is so complex it might seem necessary

to reject any distinction between political and non-political administration. But however this may be, there is a fundamental difference between political and non-political employees. It is the very duty of the political employee to decide questions of evaluation and of politics. The non-political employee must prepare the matter or execute the decision, and it is part of his duty to do this as objectively as possible and to avoid contested political evaluation. He is responsible for seeing that nothing is overlooked that can be contributed by science, by expert knowledge, by factual information or by logical reasoning. The high development of this kind of work is of the utmost significance for progress. What was done in the period of enlightened absolutism by scholars and high officials of a scientific mind to introduce the results of science into the political sphere, has to be done in enlightened democracies by the same kind of men. It is their duty to point at everything that is rotten, or that can be superseded by "better thinking." Despite all limits to objectivity set by human nature, democracies need public employees who by their training, by the assignment of their duties and by their honest will are confined to the non-political part of the work of public administration.

If we draw such distinction, not between political and non-political administration, but between political and non-political employees, it is clear that the positions of the latter should be strictly independent of party connections. At first sight this principle seems to be recognized in the federal service of the United States. The majority of the federal employees are in the classified non-political service, the incumbents being selected by methods of competitive examination, protected against arbitrary dismissal and prohibited from any kind of political activity. Many details of the federal regulations set a model for other countries. But there is much left to be desired. Only ten of the forty-eight states and a few counties have a

classified service at all. In the federal service the number of unclassified positions is great and has increased with the recent increase in administration. Particularly among the more attractive kind of positions many scores of thousands are left to patronage, positions which otherwise would attract the lower or younger employees because they offer them rewards for merit or which could be utilized for a systematic training of good administrators. The British and, to a degree, the French, the north European countries and Switzerland, have proved that in a democracy the number of political directors and advisers can be concentrated in a few central key positions while everything else is left to non-political employees of the neutral character. Thus the question of how to abolish the remnants of the spoils system has gradually become a predominantly American problem instead of, as formerly, the universal problem of democracy. Not only do shifting majorities want a reward for their soldiers, but also the leadership of the president has to a certain extent been connected with his whip hand over patronage. Much will depend upon whether this organic difficulty can be overcome.

But if we succeed in avoiding inefficiency and partisanship there still looms the Charybdis of bureaucracy. The growing apparatus of administration may develop momentum of its own and slip from political control. Can this be safely avoided? Structural devices and education can go far toward nullifying such a potentiality, as has been shown by European experience and also by able suggestions of American scholars. But more than this is necessary.

Any democracy needs a real integration between the people, the democratic institutions and the administrative service. When this service is detached from party allegiance ties are broken which, though objectionable, are nevertheless traditional bonds which in the United States have connected a large number of the civil servants with the people as a whole.

would turn democratic there might not be many democrats fitted for civil service. And so it was. After the war there were good democrats available as ministers or heads of offices, but seldom could able men of democratic spirit be found to fill the subordinate official posts of the second line. There were many adherents of the new republican regime who were devoted to ideals of liberty for the individual and who believed that therefore they were good democrats; but they were generally not useful types of public employees, ready to serve with that degree of anonymous discipline and co-ordination that is indispensable in the public service. For the lower grades the trade unions presented recruits accustomed not to think in individualistic terms. For the higher positions, however, outside the more conservative traditions, a corresponding current ran short.

Certainly in the United States the traditional public employee is different from the German type. But here as elsewhere, and even more than elsewhere, the individualist tends to hold civil service in some contempt, thinking himself to be the better democrat for his unfettered love of personal liberty. This attitude is dangerous and preposterous. He alone is a good member of a true democracy who is able to be a member of the civil service himself, ready to resign his individual liberties to the extent required in that service, or at least feels in a positive way toward those who take charge of the official functions and readily considers himself as part of an integrated unit with them. It is important to have the civil service composed of all classes of the people. Each should send some of its best members into the civil service and no family should on principle exclude itself from this duty, from this honor.

If we can attain and maintain a tradition of living affiliation between the civil service and all classes of the people, and a spirit of political neutrality in the public employees, we need not fear that non-political employees will establish a

"bureaucracy." All employees would be led politically by politicians who would head the branches of the service and would be controlled directly and indirectly by the people. Here again we are on the firm ground of the proved experience of Great Britain and other countries, experience which is highly encouraging even though the desirable integration between the civil servants and all classes of the population has not yet been sufficiently carried through anywhere.

In short, then, public administration needs a fundamental overhauling of its machinery in order to meet the new requirements in the economic and social sphere; without such overhauling democracy, like any other form of government, would be seriously jeopardized; the necessary reforms involve certain new perils for democracy, but wise methods and popular co-operation can avoid these perils. These conclusions are easily stated but they are difficult to transform into actual practice. Summoned to achieve this transformation the creative spirit of democracy is put to the test.

## GOVERNMENT BY LAW

*By Max Ascoli*

IN ORDER to define and to grasp social phenomena social science must subject them to certain principles of conformity; in order to derive from them a possible program of action it must, implicitly or explicitly, be imbued with some conception of possible legislation. The difference between practical legislation promoted by politics and theoretical legislation suggested by science lies in a different degree of precision. From scientific analysis comes the description of a more or less wide range of possible lawmaking; the social scientist tries to define and to clarify the contour of his field, and within this area he conceives as possible various alternative lines of legislation, while the practical legislator chooses from the realm of possible laws that particular one which is made expedient by the circumstances. Social science must pay for its greater range by the imprecision of its legislative results.

The task of transposing scientific findings into strictly legalistic terms, and of correlating them within the frame of a legal system, may seem only a calligraphic exercise. But the task of legal thinking is not merely to index and classify what the other social sciences report. When in a scientific analysis of economic democracy the various suggestions and implications are compared, the system resulting from them may show some incompatibility with democratic patterns. To clear this ambiguity legal thinking has to determine the range within

which political institutions may be called democratic. Legal thinking is itself a branch of the social sciences and its findings or legislative results are of them all the most theoretical and abstract; yet they furnish the only instrument for testing whether specific institutions assumed as democratic embody or jeopardize the democratic ideal of life.

In political science as well as in political practice the time of reckoning inevitably comes when the underlying political implications in social and economic reforms have to be made explicit. Partisan politics in the United States has become aware of this, and the attention of the nation has been awakened to the political consequences inherent in the increased governmental control of business. It has frequently been stated that the nation must choose; it is declared that a policy of economic isolation and of government control over the most important economic activities, aiming at making production adequate to the eventual demand, would entail a redefinition of political liberties, and that this redefinition could hardly avoid being a curtailment.

The focal point where all these tangles of political implications can be unraveled is the constitution. In speaking of constitutions I have especially in mind the American, only because it represents the case in a most exemplary way. The constitution of a democratic country is the firm obstacle which all economic reforms and all programs of legislative political action must finally encounter. It is the final point of reference in the movement of political and legislative evolution, the highest platform from which a view of the whole national activity is possible. This superiority of the constitution, and of the court which has the supreme authority of declaring its meaning, is only indirectly related to the specific text of the document or the date of its birth or the particular provisions regulating the amendment of its clauses. Whether the document is detailed and prophetic enough to foresee and com-

pass the national emergencies, whether it is broad enough to absorb the new contingencies through loose interpretations—this is of limited importance. What is really important is that the constitution makes legitimate and continuous the control upon legislation, that in its written text and in its living reality it embodies the supreme rule of the political game, the condition which gives to the political life of a country its specific character.

The so-called political freedoms are considered constitutional freedoms, and this *in spite* of the fact that sometimes they are not mentioned in the written constitution or are not coeval with the rise of the constitutional tradition. What is meant is that the constitution is the only section of the political structure of a country wherein political freedoms have a concrete reality. We cannot conceive of freedom in every section of a legal system, no matter how liberal it may be, nor can we conceive of political freedom in every phase of political development. A system of law merely defines the most important alternatives that the citizen may face when acting socially, and establishes their differential cost. Laws are rules of the social game; the designation and limitation of the risks act as a protection and a warning. If this is freedom it is only a very negative and artificial image of it. The crossing of a street when there is a green light is an example of this kind of freedom—action following the line of minimum possible danger. Above all, there is very little freedom in the daily, technical routine of politics. There is, however, political freedom, permeating the legal system, when the citizens can appeal for their grievances to the very principles upon which the whole of the state lies, and when they can exert a direct and conscious influence on the whole governmental policy. These two conditions are linked by the idea of one essential right: the right of self-defense with power to act. The citizen

enjoys political freedom when he is equal to the political whole, with no superior.

This freedom is always potential, and the actual enjoyment of it is inevitably intermittent. A few participations in electoral contests during a lifetime may signify to a man his right and power to influence the whole; while he casts his ballot he is in reality identical with the whole, but immediately after the counting of the ballots he is again a part. Elections have a meaning because they do not happen every day. The same can be said of the citizens' right to link their grievances and hopes to the principles on which the state is built. This right presupposes the conception that the citizen is equal to the whole, but his equality could not be an everyday enjoyment without complete disintegration of the social life. The moments when the people vote, the occasions when the people challenge the administration of justice are nevertheless sufficient evidences of the existence of political freedom.

The only test of whether or not a given regime is tyrannical is the observation of whether or not such moments are actually realized. The regime in which they are possible is called a government by law. Government by law does not mean a robot system wherein political life moves determined by outworn traditions. It is a regime in which everyone enjoying full political rights can at times challenge or modify or face as an equal the source of all political authority and political offices.

What distinguishes constitutional from ordinary or statutory legislation is a substantial element, a specific content: the legal and political articulation of freedom and equality. This articulation may be represented by the written articles of a rigid constitution, or by jealously guarded traditions and symbols. The difference is not of great importance because even a written constitution, if it is enduring, tends to be transformed into a tradition and a symbol, drawing its strength

from the habits and from the imagination of men. To follow a constitutional tradition does not mean passive obedience to rules formed at other times and in different circumstances; on the contrary, it is the highest expression of freedom, because it allows those endowed with full right of citizenship to measure themselves as equals to those who founded and those who carried on the constitutional tradition. The longer the past, the greater and more concrete is the freedom that the citizens enjoy. The freedom of those who start a tradition is bitter and insecure.

Political freedom is necessarily limited, not by any external limitation, such as public order or respect for popular and judicial decisions, but intrinsically, because the right and power to modify the course of political life can be guaranteed only by that written or unwritten section of a legal system which is called the constitution. Since political freedom is focused on a limited, specific point of the legal system, and acts intermittently, many are inclined to believe that it is illusory or pedagogic or bound to the occasion of its original formulation, and at all events insufficient. They ask for more freedom, for new popular rights and for wider popular power. They resent the check on politics exerted by constitutional traditions and represented by organs which are too slow in registering the popular will. They would like to have freedom not at intervals but twenty-four hours a day, and to measure themselves not according to old traditions but according to always new ones. This tendency to think in one flat dimension, to forget that political freedom is limited and rests on the abstract principles of a regime of law, is one of the most powerful elements leading to the unpredictability and lawlessness of the regime of men.

A regime of men must formulate its commands in terms of law, for positive categoric law is the specific language of political power. The difference between a regime of men and

a regime of law is one between a haphazard kind of legislation and a legislation checked by the will to continuity. A constitution in a regime of law provides a frame for the future of a nation and attempts to establish a conscious solidarity of interests as well as sentiments among the successive generations. A regime of men, that is, a regime of contradictory and insecure laws, keeps going by selling short the nation's future. The need for efficiency and the requirements of technology are among the reasons advanced by many in our time in favor of a regime of men, as if law, and particularly constitutional law, were not the necessary form and the unavoidable technique of every effective political action. The assertion so frequently repeated that a government cannot help being a government of men, because it must be represented by individuals is, worse than a truism, a triviality. Government means rule and measure according to certain standards. If the standards of measure are not offered by law, they are provided by violence or trickery.

A regime of law can be either liberal in the strict historical sense, with active political citizenship granted according to definite qualifications, or liberal and democratic, with every adult citizen endowed with political rights. The transition from a regime of law to a regime of men is particularly easy when the qualification for active citizenship, with all its inherent rights, is extended to every man and woman living in the country, that is, when we have democracy. When these rights are spread among all the citizens they are in constant danger of being diluted and lost. A large number of citizens in the great democracies of our time have only a remote possibility of getting an approximate knowledge of the political whole. The idea of democracy has always been difficult to define, even for Aristotle, because of the tendency that every democracy has of obliterating the boundary line between a regime of law and a regime of men, and of shifting from the

former to the latter. The regimes of men are sharply defined today by specific connotations—a situation which clarifies the reasons why democracy must adhere to the features of the regimes of law.

Those who would like to extend the moments of freedom to the twenty-four hours of the day are the most restive under the checks imposed by a regime of law. It is not enough, they say, that active political rights be granted to every citizen of age; the rights thus enjoyed are merely political, formal; political equality has little meaning if it is not integrated by the greatest possible economic and social equality; and what does political freedom mean if it is not substantiated by economic freedom? Such ideas and formulae sweep the political debates of our day. It would be futile to deny their moral and practical basis; yet the emotional confusion which accompanies them needs to be kept in check by some clear, unequivocal principles. If democracy is not to fall to the level of a regime of men, it has to be formal. Freedom in social life can be organized only as political freedom. What is called economic democracy is either a specific form of constitutional political democracy or it is not democracy, at least in the minds of those who think of democracy as a regime of law.

Of the two types of a regime of law, the democratic is more formal and needs to be more formal than the strictly liberal, if it is to be efficient. A liberal ruling class in a country with no universal suffrage moves along a path bordered by traditions; the limitation of the electorate is in itself a guarantee against too sweeping changes. A democracy, on the contrary, is never officially and outspokenly linked to a specific class, and it constantly tends to overflow from the strictly political sphere where it belongs to the social and economic spheres of activity. As a defense against itself a democracy needs the frame of a constitution. As Aristotle said, regimes tend to turn

into their opposites if the political principle which they represent is allowed to develop to its bitter end. There are actual or potential checks in social tradition or in the economic structure of every regime: absolute monarchy has its waywardness protected by feudal or bureaucratic institutions; the absolute equality of a proletarian dictatorship is mellowed by the differential scale of rewards and honors. But a democracy is always exposed to the vagaries of its "one hundred per centers" who want freedom extended to every hour in every field of activity; no other regime is as much exposed to the blasts caused by dangerous associations of words.

Democratic freedoms, no matter how extended, have strength only in so far as they are formal, in so far as certain political goals have been transformed into legal norms. These norms in turn can guarantee political freedom only in so far as they are constitutional, that is, in agreement with the supreme principle which asserts the equality of all the citizens before the law and of each citizen before the political whole. In other words, democratic freedoms, like all political freedoms, cannot be judged in relation to the number of rights obtained by the majority of the people, but can be evaluated only in relation to the constitutional principle that guarantees them. The greater the demand for popular franchises and rights, the greater is the need for constitutional control; only through a vigilant use of this control can the danger be avoided that democratic rights may turn into a chaotic redistribution of privileges. But the "hundred per centers" of democracy desire to do away with every impediment, and to march speedily toward a "real," "modern" or "twentieth century" democracy. Thus it may happen that in the effort of conquering equality or freedom in the economic or in the social field, equality and freedom will be destroyed in the political field, and that the conquest will appear empty because deprived of a point of reference and a warrant. There is

only one type of equality and freedom; it is political, and is to be found not in the whole body of a legal system but in the formal principles of a constitution.

We frequently hear apologies for the weaknesses of democratic institutions, for the incomplete, inadequate freedoms, not in accordance with liberal or democratic ideas. Political representation is deemed unsatisfactory, new devices like proportional representation, primaries, the referendum, are contrived. I do not question the importance of perfecting the legal machineries which are to make democratic ideas workable; but the sentiments which prompt these ameliorations are generally misleading. Democracy can be served only by making its formal principles active and able to face the contingencies of life, not by multiplying regulations on the contingencies of life. The way to defend democracy is to learn to interpret its development in terms of its liberal potentialities, to understand and stress the moments when political freedom has its reality, to keep it workable within its limits, concentrated in a few constitutional principles.

What is envisaged as economic freedom is actually a redistribution of wealth which will diminish the privileges of the few for the sake of the underprivileged many. This demand is imperative not only from the moral but even from the economic viewpoint in our era of mass consumption. Yet every redistribution of wealth may turn into sheer destruction of wealth and into the disruption of social unity through civil wars. Political freedom, on the contrary, is the main guarantee of social cohesion. The citizens are not only equal before the law, as is traditionally asserted, but in certain specified moments, when reminded that they are the makers of it, they are equal to the law. The constitution has to be supreme in order to allow the citizens to be equal to its rules. This seems to be a paradox and yet is the real test of a constitution; it

must be so well balanced that at certain times the will of the single citizen may weigh as much as the whole legal system. This equality is an objective measurement; it guarantees that every increase of political freedom is an enrichment of all the members of the community, gained at the expense of no one. A movement for the redistribution of wealth can avoid turning into sheer destruction if it is kept within the limits of political freedom; this is perhaps the only way in which the many may attain economic advantages from the few without disrupting social cohesion, because the few remain as partners, with their own share of chance and of success.

It is said that political freedom and equality must be translated into economic and social terms. It would perhaps be more exact to say that economic and social freedom must be linked to political freedom and subjected to the rules that the game of political freedom demands. Even religious freedom has meaning and reality only if linked to the principles and traditions of political freedom. The edicts of tolerance of autocratic sovereigns can be easily granted and easily revoked. The function of political institutions is to give direction to all the main currents of social life; they can exert this exemplary guidance when in their own realm they are supreme enough to provide general standards, and when on the other hand society is free enough to translate in its own terms the received direction. The very function of democratic constitutional principles is to erect a dam controlling the passage from political to social, so that slowly and steadily the manifold social experiences may take their inspiration from the highest democratic pattern.

This does not mean that the barrier between what is political and what is social has to be a Chinese wall; neither does it mean that constitutions are not subject to change in their text as well as in the interpretations given them. On the contrary, constitutions can be interpreted only in terms of change, pro-

vided that change itself be firmly conceived as a function of the idea of democratic freedom. In our time there is an obvious trend toward a growing governmental control of business and of economic life in general. The dividing line between politics and economics constantly tends to move in the direction of a stricter control of economics by politics. But it does not necessarily follow that a free grant of radical legislation is to be offered to the most aggressive political forces, or that the whole field of economics is to be settled and colonized by political authorities. The significance of the present trend of politics is that certain economic aspirations—such as the morally proper and politically irrepressible demand for a minimum security for every man, regardless of the vicissitudes of illness or age or business cycles—assume the dignity and power of political rights. Such presumptive rights thrust themselves toward the constitution because they want to become constitutional; their enduring strength can be established only if they are linked to those basic principles which in a democracy guarantee the freedom and equality of a government by law. Therefore for their own protection they must be subject to that investigation of their constitutionality which they implicitly demand.

The instrument which performs the investigation of constitutionality may be a supreme court or a debating parliament; the difference is not of great moment if it be remembered that behind the different actors representing the ultimate power the same chorus, public opinion, gives inspiration and resonance to the final decisions. What is essential is that the new rights be subjected to analysis. Are they of such a character that their articulation into legal institutions would or might result in the total control and absorption of social and economic life by politics? To what extent will the organs which are set to guarantee social stability decide about the everyday life of the citizens? Aside from those public organs

which are to give them assistance, have the citizens a wide range of ways in which they can face the chances of their lives? Are the citizens allowed at certain times to face as equals, with no superior, the government from which they receive or expect a large amount of their sustenance? Or is the attempt to translate political liberty and equality into every-day economic and social terms a conscious or unconscious attempt to extinguish those two supreme rights? No matter under what specific technicality the test of constitutionality may be organized, it is made indispensable by the urgency of such questions.

If it be granted that constitutional law is distinguished from ordinary law by its inner substance, it follows that its technical check on new laws is in terms of the principles of freedom and equality. This check does not confer any dictatorial power on the men who are to pass a final verdict on constitutionality. These men have to be constantly aware that their technique is only an instrument of superior principles, therefore tentative and likely to be erroneous. The questions raised by the claims of economic democracy can be answered only when a set of constitutional legal rules absorbs and clarifies their tumultuous vagueness. This process transforms economic democracy from an economic and social problem to a legal problem by couching it in those terms which make a solution possible.

The movement toward economic democracy aims at certain constitutional reforms; a set of legislation deeply affecting economic life for the sake of collective social and economic security is presented as a natural outgrowth of political freedom and equality. Economic democracy wants to become political, to be interwoven with and guaranteed by those basic formal laws which are untouched by shifting of opinion. It does not necessarily entail a loosening of the constitutional

form of government in favor of a managerial system of national planning; rather, it offers a wider meaning to the idea of government by law because of the new content which the idea is compelled to embrace.

Whether such an enlargement of political democracy can be organically linked to the formal principles of government by law or whether the mirage of a perfect and flat democracy will bring about the downfall of democracy, can be judged only in view of the traditions and strength of the various countries. Possibly the need for economic democracy, by submitting to a crucial test the institutions of each democratic country, will reawaken the conflicts that those institutions had to face when they were being shaped. In America it seems that the battle of the Federalist is now being waged again. In England the movement for economic democracy has been on its way, slowly, powerfully and organically for more than half a century as a gradual extension of the granting of franchises. In Germany political and economic democracy, granted by the authorities and promoted by chance, arose almost simultaneously and failed simultaneously.

The United States is a pluralistic country. Its multiplicity of organized interests is fostered by the vastness of its territory, by the variety of choices which competitive capitalism offers to the consumers, by the not yet extinct traditions of territorial and vocational self-government. The need to co-ordinate this multiplicity is met by giving wide power of control to quasi-legislative and quasi-judicial boards or commissions or specialized authorities. Some final power must bring order into these many new sources of law; otherwise the economic and social jungle would be translated into a legal jungle. It seems likely that the movement toward economic democracy in the United States will effect an increased control by the judiciary; it demands this control even though it bitterly resents it. The power of the Supreme Court was auto-

matically increased by the tentative character of the emergency legislation, and it will the further increase the more commissions and authorities are put on a permanent basis. The more numerous the sources of legislation, the more pluralistic the country becomes and the greater its need for a final control on legislation. Reformers themselves sharpen the blade which cuts deeply into their work. Thus no matter what the motives of the emergency or reform legislation, no matter how radical the intentions of its promoters, the idea of economic democracy in the United States will receive meaning and efficacy only from the judicial reformulation of those abstract principles of freedom and equality which endure through the increased multiplicity of institutions.

All this, of course, is suspended in a series of ifs. If the government remains government by law; if the individual citizens can be certain that at specific times and according to specific forms they are in literal truth equal to the political whole, with no superior; if democracy can be forced by politicians as well as by social scientists to remain liberal and constitutional and not to follow its dangerous tendency to turn into a regime of men.

## LEADERSHIP IN DEMOCRACY

*By Albert Salomon*

IT IS characteristic of every school of political thinking to move in opposition to a pre-established school, to shape itself in terms of contrast-ideologies. With the beginning of democratic movements democratic theorists contended that the triumph of democracy would mean the destruction of traditional political behavior patterns. But it is not hard to see that this was a contrast-ideology arising merely in opposition to the principles and values of monarchy and absolutism. Democratic governments, like all other governments, are based on leadership and authority and also on the particular habits which they succeed in having accepted by society. The differences between pre-democratic and democratic societies are differences of the economic and social structure and of intellectual and spiritual attitudes.

In regimes based on a unity of military and political rule, leadership and authority are determined by the behavior patterns of a military feudal class—command, obedience and loyalty. Even under absolutism, the rationalized and secularized form of feudal and military rule, these habits of social behavior are at the basis of government. In monarchies and aristocracies there are always certain social groups which take to themselves the monopoly of political power, but ruling dynasties and aristocracies may retain their leadership of the body politic only so long as there is social consent, based upon

the particular religious belief or other established guides of behavior. Thus the closed social system of a military nobility, such as the Prussian Junkers, and the clever merchants comprising the aristocracy of Venice, represent different types of political rule. These aristocracies were elite in the rigid sense of a closed social group binding the whole of society under their leadership. Like all elites they created a social image which became the standard even of their own behavior. As Jakob Burckhardt observed repeatedly, there can be no aristocratic elite without a trend toward asceticism as a guarantee of social distance. This type of ruler must always keep himself at a formidable distance from the subjects of his domination.

The primary difference between democratic and undemocratic types of government is the lack of such a closed social system and a monopolistic ruling class. A further difference is that democratic government is intended to embody and interpret the popular will, without the irresponsible imposition of a privileged will. Finally, democratic rule abjures violence, striving to reconcile conflicting forces and to shape them into a responsible political opinion. In achieving this, persuasion and discussion are of the utmost importance, and thus also the quality of the democratic rulers. The democratic rulers are leaders in so far as they are the representatives of a homogeneous society of citizens, prompting their political decisions and influencing them by personal qualifications. Hence democratic government is typically neither a mere technical apparatus nor a passive instrument of the sovereign nation. The nation may suggest the general tendencies of politics through the ballot and the various other channels of public opinion. But the concrete political achievements must remain to the ruling leaders, men who are capable of free decisions in making use of their limited responsibility. The selection of leadership is intended to be realized by free competition, not monopolized by a ruling class.

It is true that no democracy has ever achieved completely free competition in the selection of its leaders. Even in the mass democracies of our time not all groups have achieved the same degree of organization and representation; certain groups—skilled workers, farmers, intellectuals—may attain to a political power out of proportion to their numerical strength. Moreover, in modern society the pressure of economic factors is so powerful as to make difficult disinterested political activity. Politics has become a profession instead of a calling; the statesman has to be completed by the politician, the representative by the bureaucrat. Finally, the modern bourgeoisie cannot have the unified political drive of the closed military groups and aristocracies; its conflicting economic interests have not the capacity of binding society under solidary purposes. Nevertheless, in spite of all these disintegrating tendencies of modern economic and social life within the structure of industrial society, there are certain values and ideals which are specifically characteristic of democracy and which have a shaping power on the conflicting elements of democratic life.

The assertion of this spiritual quality is based not on an over-idealistic interpretation but on a consideration of democracy in terms of its "ideal type." The powerful influence exerted on the course of society by economic interests and material conditions cannot be denied, but the final decisions on this course are always entrusted to representative individuals. The mechanical adjustments of social life to economic contingencies cannot be fully understood without realizing the creative power of the individual mind. Thus in a democracy leadership means an entirely human and responsible embodiment of social and political relationships emerging from the free development of society, and must grow out of a substantial homogeneity in the body politic, based on an underlying agreement concerning essential issues.

These general trends of democratic leadership are realized

in forms which differ greatly in respect to the individual character of the nations. One important reason for these differences is the size of the state. Small political bodies are able to conserve the ties of neighborhood and personal devotion when electing their government and their officers, a kind of social relationship within the political organization which is evident in some of the cantons of Switzerland. A second reason for difference is the presence or absence of immediate pressure on territorial borders. In such countries as Sweden, Norway, the United States, the emotional trends of nationalism are not continually invoked, disturbing the rational and peaceful organization of the social order.

Also of the highest importance are the various constitutional forms and legal institutions. The differences between English and American parliamentarism have a significant influence on the types of leadership and their selection. Where the legislature is the essential organ of the constitutional regime and is endowed with definite political responsibility, influence and power it will always attract men of the highest standard. For centuries the British Parliament has been a school for political leaders. There more than in the parties the successful politicians can reach national pre-eminence. Although in England too, as an unavoidable consequence of universal suffrage, many members of Parliament can do little more than vote according to the commands of the party, the plenary meetings of the House of Commons always create opportunities, through questions, speeches and debates, of discovering the political qualities of outstanding persons. Also, the work of the special committees reveals and promotes technical skill and political perspicacity. As long as the legislature has this educational function it will always be able to produce and select the political leaders.

The difference between French and English leadership is a result of the different historical development of the society

and culture of the two nations. In France since the period of absolutism the jurist and lawyer have had the outstanding place in political life, and since the eighteenth century this position has been shared by the intellectual. In England, on the other hand, leadership is based on a combination of the traditional virtues of the nobility—self-respect, social and political responsibility, a balance between aristocratic rights and duties and the rational utilitarian and moral qualities of the middle classes. During the seventeenth century the feudal idea of the gentleman was transformed into the Christian idea of the gentleman, thus integrating the values of the growing middle classes of the Puritan denominations into the aristocratic traditions of political behavior.

Even the technical laws of election may influence the character of individual leadership. The small electoral district, especially in France, has always been favorable to the political rule of social notables, who enjoy personal prestige and moreover are often economically free for politics. It has also the negative effect of introducing into the legislature the very limited and subjective interests of the population of the electoral district. The large district, however, especially when a list is to be elected which is put forward by the bureaucracy of the parties, can readily tend to estrange the people from political participation. The personal relationships between voter and representative are almost always destroyed when the people must elect a party, not a man of their confidence.

The trend toward bureaucracy, which has been so important in modern economic life, was introduced into political life by the "caucus" of Chamberlain. It has reached its most impressive form in the machines of the American parties. But the growth of technical experts and of political bureaucracies within the parties, while it may make more difficult the rise of creative leadership, does not prevent it. Politics requires skill and intelligence, personal evaluations and the capacity

to make decisions, and there is always a chance for the vital type of leadership to push through the technical and bureaucratic apparatus of politics and become its ruler.

The United States is the only one among the great democracies in which the legislative branch of the government is not predominant but has to share the supreme political power with the executive and judiciary branches. Political decisions of the highest importance have sometimes been made by the judiciary, especially the Supreme Court. In the development of American history the highest court has often tended to exert a check upon changing political impulses and economic needs, but even in this negative function it has served to emphasize the values of continuity and sober reflection. In the history of the Supreme Court there have been men of the highest intellectual and moral standards, motivated by social and political responsibility and by the deepest devotion to the spirit of law, and nevertheless able to integrate new social tasks into the framework of the Constitution. It is significant that Mr. Justice Cardozo, himself one of the outstanding contemporary leaders of the American judiciary, has repeatedly emphasized the personal and sociological nature of the judicial process, and that in this connection he has quoted from Theodore Roosevelt's message to Congress on December 8, 1908, a statement which is almost a definition of judiciary leadership: "The chief lawmakers in our country may be and often are the judges, because they are the final seat of authority. Every time they interpret contract, property, vested rights, due process of law, liberty, they necessarily enact into law parts of a system of social philosophy; and as such interpretation is fundamental, they give direction to all lawmaking. The decisions of the courts on economic and social questions depend upon their economic and social philosophy; and for the peaceful progress of our people during the twentieth century we shall owe most to those judges who hold to a twentieth cen-

tury economic and social philosophy and not to a long out-grown philosophy which was itself the product of primitive economic conditions" (*The Nature of the Judicial Process*, p. 171).

The president embodies the more specific type of political leadership. Although he is the leader of one of the political parties, by virtue of his office he assumes the leadership of the entire nation. If he is strong enough to free himself from the partisan influence of powerful economic groups and organized minorities he may unify the nation and direct its course toward a realization of the democratic conception of life. Jefferson and Lincoln and Wilson are outstanding examples of this superior type of creative leadership. Certainly there have been some presidents who have fallen short of this ideal, but it may still be contended that these presidents who did not reach the dignity of creative leadership have been representative of certain common characteristics of their times and of certain prevailing sentiments in their country. It is perhaps one of the most typical features of a well established political regime that it can both offer possibilities to creative leadership and survive the rule of executives who are not leaders. From this point of view American democracy has proved conclusively that it can utilize great men, avoiding any arbitrariness inherent in their virtues, and mediocre men, avoiding any damage inherent in their shortcomings.

The members of Congress are less likely than judges and presidents to reveal the qualities of an outstanding leader. The restriction of the power of the House of Representatives, the stringency of its procedure, its necessarily close co-operation with the political machine have made difficult the free play of that personal element which enables a legislator to reach national stature. In this respect the Senate, whose members share in the appointment of the highest federal officials, exert a strong influence on foreign policy and play an im-

portant role in the party organization of their state, offers wider opportunities. The American Senate can be considered as a training ground for potential presidential nominees and also as a field of action for men who failed of nomination, or were indifferent to it, but whose national influence proved to be a source of political inspiration. Certain members of the Senate who failed of election to the presidency, such as Clay or Douglas or La Follette, have embodied a spiritual power that sometimes proved to be deficient only because it was expressed too early. It is regrettable that many unsuccessful candidates to the presidency have not found the opportunity to serve their country as senators. Many outstanding talents have been wasted or frustrated in the bitterness of unsuccess which could have found appropriate application in the Senate. It has been too frequently repeated that American democracy does not produce great leaders. Perhaps it is better to say that it has been careless in their utilization.

It is possible to say that democracy, as it is typically exemplified in America, has during the course of its existence done much to multiply the obstacles to creative leadership, with damaging results on the efficiency of government and on the prestige of political institutions. This is a subject of persistent complaint by the critics of democracy, whether they be friendly or unfriendly, but it would be unfair to denounce this tendency once more without trying to see its far-reaching implications.

Historically democracies have always lived through a fear of tyranny. Short tenure of office, written or unwritten prohibitions of re-election for a second or a third term, ostracism, cumbersome laws requiring special qualifications of residence or of state citizenship—all these devices and many more have been used by democratic regimes as sometimes astute, sometimes childish, tools of self-defense. Yet it is a sociological law that democracy needs not only leadership but a plurality of

diversified and constantly active traditions of leadership. An autocratic regime can afford to have but one leader; a democracy, on the contrary, needs a choice of available leaders, each one representing a different phase of a manifold public opinion. An autocratic regime almost inevitably will solve the problem of the education to leadership by the age-old device of a ruling dynasty; but democratic regimes, in spite of the fact that they are so largely founded upon the independence and the inner strength of the family unit, cannot entrust the education of their rulers to any family or group of families. So democracy, more than any other regime, relies on leadership, requires widespread opportunities to reach leadership, and yet because of legitimate fear or of prejudice is suspicious of the very function from which it draws one of its main sources of strength. This is a contradiction which frequently leads to the downfall of democratic institutions. Sometimes too democratic institutions are destroyed because the abundance of available leadership is paid for by the mediocrity of its quality, and the waste of energies in the conflicts of democratic life arouses in the citizens the demand for unitarian and uncontrolled rule.

The obstacles in the way of democratic leadership have been augmented by the technological results of industrial revolution. Imitations of or substitutes for political leadership have been popularized—types of command which are certainly reasonable and useful in their own sphere but cannot be mistaken for political leadership. These types are especially the so-called business leader in the economic field of activity and the boss in what should properly be the political field. It is a feature of the industrial revolution to have made highly technical and specialized every organized form of human endeavor, while at the same time the influence of politics has been extended to all fields of individual and social life, submerging every remaining islet of independent or detached

existence. The disintegrating influence of these totalitarian tendencies of technology and politics has created these types of pseudo-leadership and endowed them with increasing strength.

The business leader's experience as a successful man of affairs has been hailed as the proper background for regulating the conduct of public affairs, and his type has been exalted as a pattern of efficient husbandry in the interests of the people. Not even the frequently repeated failures of business men in politics have destroyed such myths. In complete opposition to this trend of thinking it should be remembered that the number of business men who have reached leadership in democracy is exceedingly small, and that their record has frequently been one of blunders and awkwardness. It is as if the business man in politics finds himself lost in an entirely unfamiliar world. Under a rigid guild system of social organization the successful business man represented sometimes the most vital and dynamic spirit of the community, pushing through the barriers of feudalism; therefore he could reach political prestige and sometimes even supreme political command. Solon was a merchant not unfamiliar with large scale speculation; the Medicis were bankers and merchants. But in our day there seems to be little likelihood that any of the wealthiest families will become a ruling political dynasty. The reason is in the very nature of capitalism. The business man has experience not with the total and inner nature of man, but only with some highly specialized and institutionalized fragments of human activity. More specifically the business man knows how to deal with consumers and with producers. The institutionalized power of these abstractions makes for their great importance in social life, but in wider fields their crippling influence cannot be overcome, not even by success. So the business man, no matter what his achievements, remains always the prisoner of his business outlook on life. When he is conscious of his responsibilities toward society he

may reach the more dignified type of the philanthropist, and so repair somehow the damages determined by the production and distribution of wealth under the system of business enterprise. Higher goals he cannot reach.

The other type of pseudo-leadership which cannot be mistaken for creative leadership is represented by the so-called boss. Just as the business man remains the prisoner of his economic organization and outlook, so the boss is the prisoner of the political machine that he rules and of the practical viewpoint that he represents. He is interested in voters more than in men. His realm of activity is as large as an intricate network of personal relationships and loyalties may be. So, as is common knowledge, bosses have frequently ruled the great American cities, have sometimes ruled even states. But the country has not yet known a national boss. This type may perhaps eventually be realized by those whose reputation is built on their capacity to reach a national audience through the radio, yet the passions and interests they stir are too narrow and the audience of the nation is too large for allowing more than transitory vogue to these new types of pseudo-leaders.

The boss system in politics has been one of the greatest obstacles in the way of creative leadership in America. But it must be added that this phenomenon has been accompanied by some remarkable advantages. The detailed and sometimes unsavory dealings with practical politics have been left to specialized men, while those who have reached the dignity of leadership have had the opportunity to deal with more vital issues. Certainly the leaders have to pay a high price to the boss who may decide on their political life, but experience has frequently proved that when the leader has an energetic personality the final word is left to him. Every great American president has had to fight his way through against the bosses. The experience of Wilson and of the two Roose-

velts is a sufficient illustration, Seldom can a boss reach leadership on his own account; even when he attains the greatest possible national success he is limited to a position of routine and administration.

The genuine type of democratic leadership is determined by a high and delicate equilibrium of moral qualities, personal skill and quick response to an awakened public opinion. But let us emphasize that democratic leadership requires not only great individual virtues and capacities, but, in order to be followed and understood, requires also great collective qualities of education and imagination. Without adequate leadership there can still be a democratic society, but without a democratic society there can be no creative type of leadership. Sometimes the effort of popular imagination that the democratic type of leadership requires may become too strenuous for nations whose nerves have been strained by wars or economic crises; sometimes the effort of continuous production of leadership and of choice among various available leaders may appear so difficult as to produce a desire for a more stable and charismatic type of ruler. Hence the creation in some of the greatest European nations of the latest type of pseudo-leadership, the dictator who draws his strength from an entirely subjected and hypnotized society. His position is based on a destruction of the unity and balance of reason and emotion, and means a new demonization of the political sphere. Yet the very shadow of this type of pseudo-leadership, when projected upon nations that still know how to preserve the highest values of democratic life, determines that radical criticism of democratic institutions through which alone democracy can survive.

## SOCIAL STRATIFICATION

*By Hans Speier*

DEMOCRACY means equality; the essence of social stratification is inequality; therefore democracy is incompatible with the existence of social classes. The popularity of this syllogism should not disguise its fallacy. Both historical observation and sociological analysis prove that the idea is wrong, although its contradiction by the facts does not preclude its effective use for political purposes. Its propaganda value is universally recognized both by radicals and by extreme reactionaries, but this value is derived precisely from the fact that the notion is an unrealistic expression of wishes or fear rather than a presentation of things as they are.

There has been no democratic society, in ancient times or in the towns of the Middle Ages or in modern civilization, which was not socially stratified. Democratic political institutions have coexisted with many kinds of social superiority, differences of rank and forms of discrimination. Swiss democracy, the oldest in the modern era, has proved compatible with a social inequality that, especially in the urban centers, has been emphasized by a highly developed sense of exclusiveness. Differences of wealth, nationality, religion, occupation or whatever may have been the particular basis of social status; snobbery and social climbing, luxurious display and favoritism—all these have at times been integrated into the frame of democratic political institutions. Democracy is

more protean than the zeal of its radical promoters suggests.

It should also be remembered that there have been societies of restricted democracy in which parts of the population—women, certain age groups of the physically adult population or the poor—were excluded from political rights. Even slavery has not deterred the functioning of democratic institutions, either in ancient or in modern times. The existence of strata outside the group in which democratic political functions are distributed may strengthen or weaken the cohesion of the privileged. It is likely to strengthen it if this political inequality is combined with social discrimination of the underprivileged, or if pressure upon the privileged is exerted by the outgroups. This holds true in general, regardless of the character of the ingroup, which may be a nation, a social class, a gang or a family. In any case no proof for or against democracy can be derived from the fact that such unequal rights exist.

That political equality is compatible especially with economic inequality is evident when the structure of the politically privileged classes is analyzed. The strictest observation of equal rights and duties within ruling classes has by no means coincided with the absence of economic inequalities among their members. Even in Sparta, where the principle of equality among the privileged was carried to an extreme for the purpose of controlling the subjected classes, there were noticeable economic differences among the otherwise equal members of the ruling group.

It is obvious too that democracy is not bound to a particular kind of social stratification. Status in society is the result of an implicit or explicit social emphasis on specific factors giving them hierarchical social values. These factors may be wealth or race, occupation or age, education or bodily strength: they differ from one social structure to another. In modern society, but not in all societies, emphasis is predominantly upon wealth. There is no connection, however, be-

tween democracy and any specific principle of social evaluation. There have been democracies where the principal social distinctions lay between debtors and creditors, others where the social effects of this economic division were overshadowed by the conflicts between entrepreneurs and workers. History shows us prospering democracies on an agrarian basis and others that were predominantly urban—the social history of American democracy affords a fair illustration of a society proceeding from one to the other phase. Democratic institutions have been built up in societies whose primary concern was war, in others where it was agriculture, in others where it was trade or industry. There have been democracies confined to small areas, where political life was organized on the basis of face to face contact among its participants; political participation in modern democracies extends over vast areas and administration requires a highly complicated system of communication.

There is further evidence that democracy is not incompatible with social inequality in the fact that many conservative statesmen in the nineteenth century were in favor of extending the suffrage without any ideal of thereby promoting social equality. Disraeli seized upon the idea that the lower classes would support conservative politics if they were given the right to vote. Similarly, Bismarck expected the disfranchised strata to express anti-liberal political opinions and invited Lassalle, the socialist agitator, to secret discussions on the introduction of universal suffrage. The plebiscites of Louis Napoleon are another case in point. It is well known that they strengthened Marx's anti-democratic attitude.

The reason for the common belief that social classes cannot exist in a democracy is a misconception of the specific character of equality in democracy and of the specific character of inequality in social stratification. The two are not opposed to one another. And it follows that equality in democracy is not

the same as the particular equality that exists in a classless society. What appears to be a classless social structure may very well be organized politically along dictatorial lines. Indeed, autocratic regimes are far from inimical to social equality. They have regularly endeavored to level down social distinctions and to substitute for them personal distinctions on the basis of equal dependence and subjection. From the ancient tyrannies on down to modern dictatorships this tendency has been operating, although it has often been blurred by the adverse social conditions upon which it has had to work. Such a policy is part of the political logic of autocracies, inasmuch as gradations in social status indicate gradations of actual or potential power, in other words, incomplete subjection to the supreme autocratic rule. Autocracy cannot tolerate, or rather never promotes, exemptions from its domination. It must be considered, of course, that in an autocracy the political elite around the ruler assumes high social status, since in autocracies social rank is derived from political power.

The goal toward which autocracy strives may be called negative social equality, in accordance with Max Weber's term "negative democratization," which refers to the tendency of all bureaucratic political and military organizations to produce rational, equal dependence of all members of society, regardless of their social status. But the fact remains that the term equality is ambiguous as far as any political reference is concerned; it easily conforms with autocratic forms of government, and those who are zealous for democracy should be careful to clarify the meaning they attach to it.

Men who live in a democracy have something politically in common, but they are not and need not be socially alike. The specific equality which resides in democracy is an equality of *political* rights. It exists among persons of different talents and intelligence, of different function and status in the com-

munity. This political equality serves as basis of, and at the same time reflects, the supreme consensus which characterizes the entire body of citizens as a political group. The individual citizen belongs to various overlapping groupings, such as a family, a church, the consumers, the postmasters, the lower income group, a party; he has as many different interests with which he may identify himself or with which he may be induced to identify himself. It is in the democratic community that his individual significance becomes political, as a result of the interest in mutual respect for freedom which he shares with all his fellows.

Democratic government certainly does not preclude group conflicts, but it does leave its imprint on the way in which they are settled; in more realistic terms it promotes institutions which serve to compromise and correct and check partisan interests if they are pursued to such an extent that justice and the interests of the community as a whole are violated. Democracy is the specific form of government in which political life cannot be identified with a politically privileged class; a democracy has no political class. In a classless society, which is, to be sure, a fictitious but useful extreme, the problem of democracy would not be so vital as it actually is; in such a society there would be uniformity of interests, and thus its government could at least do no harm to the interests of particular classes but only to those of the whole community. The paradox inherent in social equality is again apparent: the more closely social equality is approached, the less important become democratic institutions; the more differentiated and stratified society, the greater the mischief of dictatorial government and, conversely, the more imperative is democracy for a just and judicious form of political life.

Thus it is not social stratification as such that is inimical to democracy, but a social stratification which actuates partisan violence. This formulation seems to present the issue in the

form of a truism, but its significance is in its shift of emphasis from the social to the political, where the center of the problem lies. It has been argued that democracy, for the sake of liberty, invites the pursuit of partisan interest. But as Madison has said, liberty is like air, essential to both life and fire. It may be used by a mob or by vested interests in a hybrid way which destroys or attempts to destroy the life of democracy. It is for these situations that we use the term partisan violence, regardless of whether it be exercised by a minority or majority group, regardless of the social rank occupied by the group that applies it, and regardless of the specific means of coercion which are used.

In the following discussion we are concerned only with partisan violence as it originates from social stratification. In other words, we are interested in the particular structure of class relations in which undemocratic political behavior will arise. It will be convenient to designate as the "social insecurity level" that level of social conditions where the pursuit of interests endangers political stability and finds expression in partisan violence. Due allowance must be made, of course, for the fact that the position of this level, with its threat to democracy, depends on the skill of propagandists and the ability of political leaders, on the existence of organizations or the financial possibility of building them up, on the type of the electoral system, the will and the ability of the state to use force against force and on numerous other factors lying beyond the set-up of social classes.

The search for the relationship between particular stratifications of society and the proper functioning of political institutions is an ancient, legitimate subject of political science. The problem occupies a prominent place in Aristotle's *Politics*, where the impossibly simple answer is given that the political structure enjoys the greatest possible stability if the middle income group is numerically greater than both, or at least

either of, the upper and lower classes. The philosopher declares that the middle class is most likely to follow rational principles of wise moderation, with neither the submissiveness of the poor nor the despotic inclinations of the rich, keeping a balance between a destructive greed for power and a paralyzing lack of interest in politics. Thus it is to the classes of great wealth and great poverty that are attributed the dangerous attitudes which menace political stability. This theory is not merely of historical interest. Only recently it has been pronounced to contain a measure of wisdom which has outlasted the twenty-four centuries which have elapsed since its first exposition. According to Professor Holcombe it is not only still valid but also it offers a reliable guide for a wise and expedient readjustment of the equilibrium of American society. Political theory thus demands what is cherished in the middle class tradition of American democracy.

This theory, which so closely links ethical qualities with economic position, is derived not only from empirical observation but also from certain non-empirical presuppositions which in all fields of investigation led Aristotle to attach an exalted value to the mean. This idea of the mean between the extremes is probably traceable to Hippocratean medicine with its emphasis upon equilibrium. But we would hardly subscribe to the philosopher's statement that the heart is the best formed part of the organism because it occupies a mean position. Nor would we agree that the genius of Greece derived from her mean geographical location between the east and the northwest. It is equally necessary to be cautious in transferring Aristotle's ethical-political theory of the middle class from Greek to modern society. The special assumptions that it rests on are unrealistic today. The middle classes are not socially self-sufficient; they do participate in the race for economic success. Also they are interested in maintaining their superiority to the lower classes and may, if it appear expedient, align

themselves with the upper classes against those at the bottom. Nor is it safe to assume with Aristotle that the poorer classes covet only the wealth of the rich. The possibility of economic conflicts is not restricted in this way; indeed all classes, including the middle group, are exposed to conflict. It may even be argued that groups that are close to one another often fight with more passion and violence than groups more remote.

The Aristotelean co-ordination of wealth and selfish political behavior, of poverty and radicalism, of middle income and political moderation, belongs to the standard assumptions in the social sciences. It was given a special form by Hegel and Marx, and today haunts the Marxian interpretations of fascism and of the threat to which both capitalism and socialism, as a movement within it, are exposed by the recent transformation of the middle classes. The list of correlations can easily be prolonged from the relevant literature, especially with respect to the contrast between rural and urban political attitudes. These co-ordinations of social status and political attitude are reminiscent of the biological theory that the reflexes are regularly recurring reactions to a definite stimulus—a theory that is being seriously attacked by modern biologists, who have proved that the appearance of the reflex depends on the particular situation in which the organism finds itself. In the same way it can no longer be assumed that definite social positions entail definite political attitudes. Thus, more specifically, disintegrating political behavior is not produced by isolated factors, such as concentration of wealth or power in the hands of a minority group, unemployment of a certain size, social discrimination or racial contrasts. It results from the social structure as a whole, in terms of which the particular position of a class must be interpreted in order to understand the relation between its social status and its political attitudes.

It is necessary, then, to examine not the isolated position of a class but its functional relations with other classes. For ex-

ample, the political significance of poverty differs according to the height of the property pyramid. It depends also on numerous other qualities of the social structure, such as the actual—and imagined—possibilities of the poor to become richer, the use of wealth as it is prescribed and allowed by the mores, the extent to which the poor are deprived of social esteem. Also, social stratification must be examined in terms of processes rather than situations. For example, the social and political significance of the same social status differs according to whether that position results from a rise or a fall in the social scale. The economic deterioration of a middle class may result in social insecurity and subsequent radicalism, whereas a lower class reaching the same position would possibly be satisfied and socially secure. Or unemployment which is a familiar experience to a class is likely to have different effects from unemployment that encroaches upon a group which has rarely known it. Wealth, newly acquired, may breed forms of malevolent political behavior whereas wealth among a class that has long been self-educated toward bearing political responsibilities may prove to be beneficial to the political structure, since it enables a leisure class to perform political functions with a sense of justice instead of business. Again if an intermediary class loses status, so that its economic position comes to coincide with that of a lower class, it is by no means safe to conclude that it will adopt the political attitudes of the lower against the upper class stratum. It is quite possible that the intermediary class will instead develop hostile attitudes toward the lower class, not despite but because of economic equality. In such a situation it is not the given economic rank which accounts for the rise of partisan violence, but rather the fact that the social insecurity level of the intermediary class is reached in the moment when it becomes economically identified with the lower class.

The political development of parts of the German middle

the security of the higher class is disturbed more than the drop in its position would alone account for, just as the rise of a higher class coupled with the fall of a lower class aggravates the resultant actual insecurity of the lower class.

These fundamental principles are modified, of course, by the particular character of the changes. If, as is more frequent, the changes are not proportional or if they are restricted to one class, the results are correspondingly affected. For example, a falling lower class will be less affected by its fall if a higher class is falling even more. Or the lower class may reach an insecurity level without change in its status if the higher class rises still further above it; and the higher class may reach an insecurity level without change merely by a rise of the lower class.

If two classes move in opposite directions the formal structure of the society is altered, for there is change not only in their absolute status but also in their relative position. The social pyramid becomes either shorter and broader on a higher level or higher and narrower on a lower level. A good illustration of this is found when there is a divergent development of money incomes, particularly in periods of rapid inflation of currency. The receivers of fixed income from interest, and those whose income is paid monthly or at longer intervals, will lose considerably in terms of purchasing power, whereas the purchasing power of those who receive weekly or daily payments will increase, or at least appear to increase. There is no need to elaborate the radicalizing effects of such developments.

If two classes move in the same direction, however, the formal structure of the society remains unaltered, for it is affected only as a unit. If both classes move upward the entire social structure reaches a higher level than before, if they both move downward it takes a lower level, but there is no change in the relative positions of the classes; the inner tension of the

structure remains the same. This is evident when underprivileged outgroups are absorbed in the social structure through conquest (Rome) or through immigration (United States). In such situations the status of all ingroups is raised, with no significant shift in their relative positions. This absence of any change in relative position when both an upper and a lower class rise together explains to a certain extent why economic prosperity does not necessarily reduce conflict and political instability. It cannot be overlooked, however, that changes in class status which are caused by the business cycle are neither proportional nor simultaneous.

Pressure upon a social structure as a unit is likely to lessen its inner tension, in other words, strengthen the cohesion of its constituent parts. Societies at war are an illustration of this. One of the most harmonious periods in the history of Roman society, in terms of class relations, was the Second Punic War. During the World War some of the belligerent countries had to endure economic regressions which would hardly have been endured under "normal" conditions. The political stability of the social structure was not buttressed by coercion alone. An important prop was the fact that hardship seemed distributed among all alike, so that it was experienced not as injustice to individual classes but as destiny to society as a unit. Moreover, the war rendered economic sacrifices a patriotic duty, thus substantially diminishing the effect they would otherwise have had upon social insecurity and upon the stability of the political structure. To be sure, the mediating effects of patriotism cannot be discussed entirely in terms of changes in social distance; but they cannot be explained either by considering political attitudes as the result of a particular social and economic position.

This method of analysis is useful also for societies in which the response to economic or social distress is not primarily political. Under the spell of religious, nationalistic or other

ideas, or simply out of ignorance, the members of such societies, instead of translating social experience into political terms, will accept anything economic as something to be accepted. Fascist dictatorships tend to create such a situation. In so far as they succeed in diffusing nationalistic ideas, they succeed not only in minimizing but actually in lessening class tensions. Also, in so far as propaganda makes the population believe that everyone must sacrifice for the benefit of the whole, the effect of economic regressions will be less than in democracies, where state propaganda is not so efficiently organized. Finally, by inciting and institutionalizing discrimination against minority groups the relative social status of the majority can be raised, even without economic improvements.

It is clear, then, that the social insecurity level changes with the social structure, with the specific situation in which the structure finds itself, with the relative position of the social strata. In other words, there are various insecurity levels, various danger spots for an outbreak of partisan violence. There is neither justice nor truth in ascribing to any particular class the restiveness which endangers the social and political structure.

A further complication arises from the fact that social security and insecurity are affected not only by the objective changes of status, but by opinions concerning these changes and concerning the position and character of other classes in general. The greater the distance and the less the mobility between the classes the less can these opinions be based on immediate contact and direct experience. Thus there are manifold chances of error which may affect political behavior, and manifold opportunities for propagandist misrepresentation of facts that cannot be seen and are difficult to check. The insecurity level of the poor is not directly affected by the actual existence of wealth but rather by the ideas of its meaning, of how laboriously it has been acquired or how shamelessly

it is spent. These notions can be more or less manipulated. Conversely, the insecurity level of the rich is dependent not only upon the overt political behavior of the poor but also upon the ideas of their knavery or their pitiable despair. In general, it is the social psychological facts—how social stratification appears to the classes—rather than the sociological facts which affect the social insecurity level.

Thus a more thorough investigation of the relation between social stratification and political stability would have to include an analysis of the elusive problem of which aspects of social status may assume symbolic relevance so that they can be exploited for demagogic or apologetic purposes. A practical solution of this problem again requires consideration of numerous factors beyond the strict realm of social stratification, such as the specific propaganda technique and the specific propaganda mores, the legal restrictions of propaganda and the actual stage of its organization.

The social insecurity levels are obviously affected by the opinions concerning social stratification which are current in society at any time. Notions of the "just" or desirable social structure, varying, as a rule, according to social status, are particularly important, because it is in view of these notions that changes appear imperative or intolerable, often despite their political implications. These notions too depend on the character of the social structure.

Contemporary capitalist society may be taken as an example, assuming as its two most general features social competitiveness and numerical preponderance of the lower classes: everyone wants to get ahead and to reach the top but many experience the fact that the applications far outnumber the vacancies. In an expanding structure the stress which results from this discrepancy is somewhat relieved. But even under conditions of contraction, when the number of promotions decreases relatively more than the number of aspirants, the

effect is not necessarily a decline of the competitive spirit. On the contrary, there is a possibility that with increasing futility of competitive effort the race becomes faster. Taussig and Joslyn have shown in a large sample study that the self-made man is losing ground in American society. The class of American business leaders tends to recruit itself to an increasing degree from its own ranks so that the proportion of business leaders who rise from other classes is becoming exceedingly small. But it would be a mistake to conclude that this trend toward closing the ranks of a high class must lead the aspiring classes to abandon social ambitions. Whether it contributes to such a change, which would be a structural one, depends also on various other factors. In any case the idea that every soldier carries the marshal's baton in his knapsack can not be invalidated by the argument that there are many soldiers and few marshals; and the happiness of the many privates who become sergeants is not irrelevant.

It may still be assumed, then, that the competitive spirit is universal in modern society. In such a society, pyramidal in its structure, there is little hope for unanimity among the classes as to the "just" or desirable social set-up. But even if there should be little disagreement among the classes there would still remain within each class a contradiction of attitudes concerning this question. For all classes advance the minimum demand of maintaining their respective positions in relation to the lower classes, and the maximum demand of rising on the social scale as high as possible. Thus the attitudes differ according to the perspective. They will be strongly affected, of course, by equalitarian ideas, but these too differ according to the perspective. In relation to a lower class equalitarian ideas only modify the desire to maintain superiority, whereas in relation to a higher class they are likely to determine the conception of a desirable social system.

This contradiction of attitudes runs through the entire social

structure, since every class, with the logical exception of the very highest and the very lowest, is related to and interacts with the groups above and below. It can easily be seen that it is a stabilizing factor in a dynamic society; either an entirely equalitarian or an entirely conservative attitude would lead to social disequilibrium, to the social insecurity level of the structure as a unit.

These suggestions concerning the interplay between social structure and political stability are necessarily general; with proper modifications they can be applied to any hierarchically stratified society and any form of political organization. Particular mention should be made, however, of their bearing on *modern democracy*. With the comprehensive literacy of its citizens, and its huge organization of all means of intellectual communication, modern democracy facilitates the political response to social experience. It even fosters such a response, under the premise characteristic of liberalism and socialism, its hostile brother, that any insecurity can ultimately be eliminated by determined, intelligent effort. The degree of literacy and the state of communication, intellectual or otherwise, are among the social psychological aspects of social stratification, and it is these aspects which bring the problem of social classes within the range of political analysis. Fascist regimes try to befog the general social awareness that modern conditions produce; democracies, believing in the value of reason, promote it. In a democracy of universal suffrage the ease with which social plights are presented as political issues makes for a relatively high degree of political instability. But this instability can be reduced by democratic consensus, that is, by mutual respect for political rights.

## ON THE CONCEPT OF DEMOCRACY

*By Max Wertheimer*

IF ONE tries to understand scientifically what democracy is, one is confronted with this situation. On the one hand there seems to be simple agreement as to what is meant by democracy, as expressed in the usual definitions, including such characteristics as "government by the people," "majority rule," "freedom of speech," etc., etc. On the other hand if we look more closely, if we follow the way in which different men deal concretely with special problems of democracy, the trend, the direction of attitudes and arguments in actual political situations, in juridical decisions and in scientific discussions, there seem to be big differences which often touch the very heart of the matter. Sometimes there are open contradictions: both parties to an argument insist they are advancing the real democratic claim; judges contradict each other as to what a certain democratic principle demands; criticisms of a scientific book on democracy assert that "the book is scientific, to be sure, but you see, what he is speaking of is not true democracy at all, he has not the right idea of democracy." Various factors are involved, factors that differ in kind. Among them are certain logical-methodological problems, and it is with these latter that this discussion is concerned.

The usual method of stating what democracy is, is the old traditional one. Compare the object with other objects of the same class, compare democracy with other forms of govern-

ment, find out the similarities and the differences, formulate them and you have characteristics, a number, an "And-sum" of items which differentiate it—"genus proximum, differentiae specificae." This method of isolating special items in subtractive abstraction has its merits, seems often indeed to be *the* exact method, but it has its dangers. Such an item is likely to be used blindly, with no reference to the role it plays in the hierarchical logical structure; the view is one-sided, the mental horizon artificially narrowed. Such an enumeration of items is not enough. There is another method, which is to investigate the structural function of the items and the hierarchical structure of the whole idea. This method is certainly much more difficult. It is not so easy to decide such questions as it is to decide questions in subtractive abstraction, but it is necessary.

In order to illustrate the formal problems that must be met, let us consider some examples. These examples are given solely as illustrations for the formal problems; the truth or falsity of their material content will not concern us in this paper.

Comparing democracy with other forms of government we find, for example, that in democracy the people shall vote and that the will of the majority shall decide. This, we are told, is the democratic procedure. But if we look more closely we may see that if we take "majority rule" as an item for itself without regard to the function it has in democracy, we are blinding ourselves, and sometimes others, to what it means.

Various things must be taken into account, first that the vote is meant as a free vote, not a vote by threat or intimidation. This is not an accidental addition but is logically determining in the structure. Secondly, the voter must have access to as full and true information as possible, and there must be free and open discussion. Again, this is not simply an accidental addition. Thirdly, "Great issues cannot be resolved by

counting noses, but only by an appeal to what is right and what is wrong," is a democratic statement. Majority without this tendency is not at all democratic in the sense of the "good old democrats."

These requirements involve others. Full information for the voter is one of the roots of the demand for free expression, which in this context has the function of a technical means to the centering end. As a means it is considered only the best available, not 100 per cent effective, which is interesting from the logical standpoint. Moreover in genuine democracy free voting by personal decision is not meant simply as a means for the voter to protect his private interests, the profit interests of himself or his group. It is a means for preserving his rights—but his rights, not his private interests. The voter is envisaged as responsible for a decision that is right for the community, not simply for himself. There are times in which rights and private interests may coincide, but the idea as well as the reality of majority decisions between two profit-interest groups is a caricature of the idea and of the attitude of old democracy. Majority rule in a democracy also implies a characteristic attitude toward minorities. Simply to deny or to violate the rights of minorities, to blind oneself to their needs and their claims is not democratic. "We have the majority, so what?" is not a democratic attitude. An unjust decision against a minority because of majority-will is not democracy. Finally, a defeated minority has not simply to bow, to recognize a decision as right "because it is the will of the majority—the majority having spoken, the matter is settled." It is settled for the time being. But the minority has not simply to give in. If the minority is convinced that the decision was wrong or unjust, it becomes its duty to continue trying to clear the matter up, to find better arguments, a clearer presentation to help those of the majority to see the truth.

Against all this one may argue that the democratic way to

decide *is* by majority, that of necessity the majority must eliminate aims and arguments of the minority, voting against minority needs, tendencies and convictions. Since matters have to be settled and decisions have to be reached, decision by will of the majority is the democratic way. Here we reach a logically very interesting problem. Of course this is the democratic procedure. But this does not imply that the content of the majority principle is, taken in itself, a democratic principle. Some facts seem to show that it is nothing more than a technical means toward what is really wanted. Confronted with the necessity for a decision, the wise democrat will not feel very happy if the proper aims of a minority are brutally overridden by majority vote. In spite of seeing no better practical way, he does not like it. It is no real solution for him. In itself majority rule is by no means a democratic goal but only a technical means, only technically a solution, the best that is available but far from perfect. From the standpoint of logic it is not the *content* of the majority principle which is truly democratic, but only its *function* as the technical means to the real goal of more just decisions. It is not the will of the majority that is wanted but the better decision. (The vote has another source as well: the principle that man should not be subject to a ruler, but himself responsible.) In order to understand such an item as the majority principle we must not be satisfied with stating it by itself. We must go on to the role it plays in the hierarchical structure of the whole. Without this we fail to understand it at all.

One might add that the method of conciliation, in which one or more representatives of two conflicting parties try to reach a just decision in concrete discussions, although it does not count the noses of interested party groups, is a democratic idea.

What has been said has consequences in actual real proceedings. Men often act in the belief and the emphatic conviction

that their way is the democratic way, but it is only superficially democratic because they are blind to functional meanings. In the meetings of democratic bodies a member may not uncommonly be heard to say: "Why should we discuss this matter at all? You are only a small minority. What the majority wishes is clear. Let us proceed in the democratic way, let us vote. And if you want to oppose calling for a vote on the measure now, we will follow the rules and vote first on closing discussion. If you want this formality, you can have it, but what's the use? You know we have the majority in both cases." Often this is blind or contemptuous misuse of what is really intended in democracy. Under the influence of a strong democratic wave, to take another example, some people demand quick introduction of the vote and speedy formation of a parliament. Others emphasize the prior need of real democratic preparation for the vote, the necessity for free propaganda to open the eyes of a people blinded by a mighty, one-sided press. The first ones have their way and emphasize that it is the true, democratic way. Finally during recent years some men have been blinded by the idea that as true democrats they had simply to bow to the will of the (alleged) majority.

Let us consider a second item which is interrelated with the first, as nearly all items are in the conception of democracy. There are discussions, arguments, claims, court decisions in which the principle of freedom of the press is used as an item in itself, or in a one-sided connection. There are instances in which the principle of freedom of the press is used simply as a special case of freedom of business enterprise, of the right of an individual to make profits. Combine it with the principle of free speech, free self-expression and, if only these two are taken into account, the result may easily be emphatic assertion of the right not to be bothered, not to be interfered with, not to be blamed for building up a mighty chain of

newspapers which by its business methods excludes the possibility of nearly all other information, which is a tool for arbitrary "self-expression," one-sided information and one-sided influence, that may just happen to coincide with the selfish interests of oneself or one's group.

Certainly the principle of freedom of the press is very important in democracy, but its meaning is not meant to be restricted to consequences for the individual and individual rights. It also has the social function of providing the public with better information, if for no other reason than because information is indispensable to voting in the true sense. The underlying idea is that many will use self-expression because all have the right to it, that the result will be better information because numbers will help against bias, etc. Democracy requires that the people shall know what is important in order to vote justly. This is a vital function of freedom of the press, but it is very different from the meaning determined only by the two above mentioned principles of freedom of business enterprise combined with freedom of expression. In this context freedom is a means to an end.

(Historically the idea of freedom of the press is connected with liberalism's optimistic view of laissez faire. It may be that dissatisfaction with means for public information will bring about new policies directed toward providing avenues of self-expression for those popular groups that have hitherto been deprived of organs of their own.)

Many of the assertions that have been made may be questionable. Their truth or falsity is a matter for historical and other investigation. Here they are used simply as examples for the logical-methodological problem. Each example shows, I think, the big difference between taking a single item as an item in itself or in one-sided determination, and trying to understand it in its function in the whole structure. These questions must be asked: How are such items interrelated,

how determined, how centered? What is their role and function, their functional position? Which items are central, which peripheral—is their content determined by other items, by which items, and how? We have to envisage them in their place in the hierarchical structure of the whole.

If we look at the different items by which democracy is usually defined as a sum, or better, if we look at the manifold of items included in democracy, there are at first two logical possibilities, viz., that all these items or some of them are in an "And-sum" with some interrelations, or that we have to deal with a hierarchical structure in which the items are to be conceived as parts in their relational place, in their function in this whole. This question is different from the question of the number and variety of historical sources, causes, etc. Certainly these are important, but to look for the various items that may be at work is a different problem from asking, "Is there an 'And-sum' or a structure?"

One might put as a possible question: "What is the heart of the matter? Is there a structural center?" Various hypotheses are possible. Scientifically they have to be chosen not arbitrarily or one-sidedly, but viewing the whole material in order to do justice to the manifold interrelations, in order to discover the structural center. Different hypothetical centers are to be studied and followed through the relational network, then compared for their merits. I will confine myself here to sketching only some of the steps in connection with one hypothesis to illustrate the structural problem.

If we look at the real beginnings of the great democracies—take for example the happenings in the United States and in France—the main point seems to be *not* opposition to the kingdom, to the king as king, but opposition to injustice, a wish to avoid injustices done by the king, both for oneself and the community, a wish not to be subjected to arbitrary, unjust commands of the ruler. As a hypothesis we may try to

conceive as the center the wish to create and to assure a more just procedure, to get decisions and rulings that are not arbitrary but directed by reason and justice; which means that rule by oppression, violence and trickery is opposed, that an open, honest way of procedure is sought. It appears then that the will to change the form of government is not at all primary.

It would be a logically secondary step toward better realization of the primary aim, inasmuch as kingdoms have the greater danger of arbitrary, unjust dealing, of dealing not determined by reason, justice, the common good. Moreover in order that men unjustly dealt with, for example, may have the right to be heard, the possibility to appeal, to participate in decisions, the concept of government by the people, of parliament, is born. The principle of justice and reason as opposed to arbitrary dealing is not only chronologically earlier than the people-principle against the king-principle, it is likewise structurally primary, central in this hypothesis. In this structure items like government by the people, voting, majority rule, etc., etc., are to be conceived then as secondary items determined by the center and their content must be understood in the light of the centering idea—the vote, for example, as the enlightened vote of the people. This kind of vote, by reason of the central idea, requires again as means to the end, furnishing open information, permitting free speech, etc. Similarly with other items; the idea of division of powers is, for example, likewise logically determined by this central idea. Working this out in all the ramifications it becomes clear that most of the characteristics, most of the institutional ideas, of democracy are consistent if viewed in the light of the central idea of justice and reason, supplemented by faith in the people, the idea of *homo sapiens*, etc.

The problem of centering gives rise to such questions as these: What is the structural place of the decidedly important

item of autonomy of the individual, participating in decisions, voting freely out of his convictions, the individual of the *contrat social*? It is possible to conceive this as another main point co-ordinate with the first we mentioned, as the centering idea instead of the first, or as secondary to it. They are somewhat different, at least in the emphasis. If we take as the center the "inborn rights of the individual" in the directions indicated we get a slightly different picture. I will say only briefly that studies of the interrelations of the two principles seem to show the principle of autonomy as structurally secondary, an outcome from the first principle in a special direction, just as the principle of equality, equality before the law, etc., seems a special outcome from the first principle.

Another problem arises as to the content of "liberty," of "non-interference" as understood by liberalism in its connection with the harmony theory of *laissez faire*. This idea has similar formal significance both in political and economic respects (*cf.* the Boltzmann-principle in physics). Perhaps we really have an "And-sum" here. These ideas certainly include some features that are logically strange to the first principle, "arbitrary liberty," for example, non-interference with "arbitrary" freedom of enterprise, etc., but certainly there are likewise inner connections, features that come very near to the first principle of justice and reason. We cannot deal here explicitly with this complicated problem. I shall mention only one point, that the will to courageous truth, to objective reason, to just decisions, requires freedom of the man and of his mind, but this does not involve the harmony theory of *laissez faire* in enterprise, etc.

Irrespective of these and other features there appears to be a logical structure of democracy with a hierarchy of parts. It is striking to see how the different special items, the different points in the picture get their meaning in their place, in their role, in their function as parts in the picture along

with the ethical and educational aims of democracy, the will to truth, to openmindedness, to fair play, to honesty, etc. Viewed in this way the real essence of democracy seems to be not a form of government, a sum of institutions, etc., but a certain real attitude in life, behavior of a certain kind, not only in state matters but generally in relations between men. This attitude has some characteristic similarities to the role of the judge or the juror, rather than to the fighting of interests. The state is viewed not as a governing body, but as the guarantor of justice and reason which has not to create law but to fulfill it, to realize it by making the rules.

It seems necessary to work out such schemes clearly for the different part-items, their interrelations and their determinations as parts in the scheme, to try to test the conclusions as to the structural function of the items. There are methods for testing such hypotheses and for comparing different structural hypotheses. Structural theses, structural centers, are often blindly established. We often encounter statements and arguments determined simply by artificially narrowing the mental field, viewing parts as if they were in themselves the important thing. Certainly some court decisions, some political attitudes and arguments would run otherwise if they were not determined by viewing items one-sidedly, severed from their function in the whole.

Some theorists may ask the reasons for such investigations into the logical structure of these things. In their view they are all secondary things, "ideology," "rationalizations," "we should look for the real forces behind them." I will not discuss this view here. I will merely remark that they are certainly not only ideas; they live in the real attitudes and actions of men. Moreover in studying the "real forces behind" the ideas it seems equally necessary to see clearly what the ideas are and how they are structurally related. Finally similar formal problems recur in the study of the forces themselves.

Another point must be added. The main point in our deliberation has been the difference between an item seen in itself or in one-sided determination and an item envisaged as part of the hierarchical structure, democracy. We have dealt with items within political democracy. The question is repeated when we envisage, as we must, the structure of democracy as a part functioning in the broader structure of the social field. Structurally democracy looks somewhat different as a part in various broader fields.

Suppose that our thesis is right in its main lines. Suppose that democracy is a hierarchical structure and that it has been realized to a certain extent. Now this political democracy is to be viewed not as a structure in itself but as a part in the social field, in the larger whole. Let me give some hints on this next step, simplified in order to show only the structural problem. Think of the frontier period. We may envisage it as a kind of social field in which the conditions of production, of economic life, of the possibilities for the individual, etc., resulted on the whole in rather good functioning, in mutuality, in a kind of equilibrium, if for no other reason than because of the wide open possibilities for all men. Logically and structurally the conditions of life fitted well with the attitudes, aims, regulations of democracy. What we may call the "part-system" democracy, including *laissez faire*, fitted in well, supplied answers to the questions which arose, dealt with them in a satisfying way. Now think of an important change in the social field in which democracy is functioning as a part. Think of big changes in the economic "part-system," the development of big capitalistic forms, industrialization, masses of workers, depression, masses of unemployed, etc. Strains and stresses are born. The system democracy has to face new problems. Disequilibrium, strain, stresses in one part of the field, e.g., the economic, are not simply irrelevant for

the "part-system" democracy. Problems of the whole—dynamics of the whole system arise.

In the frontier period the Boltzmann-principle functioned easily for the most part. Not only did the individual have his opportunities, the other fellow had his and it was consistent to feel that if you satisfied your private economic interests you were at the same time performing the best service for the common good. But when big changes take place in important parts of the field, it is no longer simple for the system of democracy to function as well as a part-system in the broader field. Tensions arise with regard to this "part-system." There are new problems. The old idea combined with the laissez faire principle cannot so easily overcome the difficulties and fit into the new field. Comparatively it was much easier to function unquestioned in the former field of the frontier period. Here the point is to envisage the functioning of a system as a part in a broader system, to study the systematic consequences that follow for the "part-system" from a changing of parts in the broader field.

After the change in the broad field, democracy continues to function, but under strain. The items in it get a somewhat different meaning structurally. Freedom of enterprise, freedom of contract, for example, mean something quite different under the new relations between employer and working masses. To put the extreme case, it is one thing to have freedom of enterprise and freedom of contract work in real mutual freedom, it is another to have them work as one-sided tools. The principle of *non-interference* if it does not result in real mutuality acquires a new meaning. A difference arises between a purely political democracy and a democracy which includes the now changed realities of life. Logically the content of some of the old items was not concerned with certain items of reality because these were functioning well, were giving mutual equilibrium. Now these old items are con-

fronted with new realities which must be taken into account in order to re-establish the democratic principle. Holding rigidly to these items in their old meaning without facing the new conditions, without asking what is demanded in the light of the very principles of democracy, implies some blindness. There are dynamic systemic demands in the new situation which must be met so that democracy may again become a functioning part in the whole system of the social field.

With regard to this problem there are different attitudes which mean structurally different things. The first is: Wait, we have nothing to change; we have to hold to the old meanings rigidly; the weather will change, conditions will soon improve, the old meanings will again function with ease. The second is: We have to improve various items in order that the system may again work consistently with the demands of the inner meaning of democracy; "real democracy needs more than the old political and individual freedom," which is now only superficially freedom. The idea of social consciousness arises from a new meaning of the items within democracy. The third attitude is: Democracy is denied as not adequate. Some mean to suspend it temporarily in order to make possible real democracy after a time. Others deny the right of democracy to exist at all and set up utterly different principles. It would be better to have the proponents of these different attitudes look at the structural problem in a logically consistent and logically honest way instead of arbitrarily and artificially recentering and narrowing the logical field.

To summarize, stating and discussing items in subtractive abstraction is not enough. We have to consider their structural function. The methodological approach is not only to compare different forms of government by comparing items taken in subtractive abstraction, but to study the inner structure of the object and to view the system structurally in its functioning as a part in its field.

## PUBLIC OPINION

*By Emil Lederer*

FREEDOM of public opinion is the concern of a democratic system because it is the main safeguard of personal freedom and personal rights, and because it is the only safeguard for the existence of man as a person, as a political entity in himself.

In absolute or dictatorial governments, today even more than in the past, the very basis of the regime is the suppression of free opinion through control of its formation and transformation. By restricting private speech, prohibiting a free press, destroying free organizations, it is attempted to prevent dangerous ideas from cropping up and to create a uniform public opinion conforming with the government's views. These so-called strong governments, with all their ruthless materialism, are fully aware of the fact that the instruments of "real power"—police, army, bureaucracy, interests—are not sufficient protection. Paradoxically, it is the materialistic, dictatorial regimes that make the greatest use of the intangible but pervasive power of ideas, while democracies, instead of building up a public spirit which would condemn political movements aiming at their destruction, remain passive and put their faith in the power of their police.

But in a strictly regimented dictatorship it is only by a very broad interpretation of the term that we can speak of public opinion. When the public is subjected to a rigid censorship

of publications and speech, when any opinion not consistent with the government's dogmas is punished with violence, and when all the avenues of communication are strictly controlled by the ruling power, public opinion is no more than the imprint of a rubber stamp. In a democratic government, on the other hand, it is a living thing, susceptible, to be sure, to manifold influences, but for this very reason vital and creative. In the words of Mr. Justice Holmes, "When men have realized that time has upset many fighting beliefs, they may come to believe even more than they believe the very foundation of their own conduct that the ultimate good desired is better reached by free trade in ideas—that the best test of truth is the power of truth to get itself accepted in the market, and that truth is the only ground upon which their work can be carried out. That, at any rate, is the theory of our Constitution. It is an experiment, as all life is an experiment."

Public opinion is the reflection of the nation's spiritual life. But life never exists apart from social institutions: institutions are the integration of ideas and circumstances, and they live only so long as the ideas and circumstances conform with each other, so long as ideas are strong enough to mold the conditions of the time or elastic enough to develop with these conditions. Thus the spiritual life of the nation grows within the complex of social, cultural, economic and educational institutions and cannot be regarded either as a mere superstructure or as an independent power. Social existence is a totality, and the expression, formation and transformation of public opinion are, in the long run, as much a realization of the composite we call nation as is the economic or social system.

Citizens are not born, they are made. They grow into a pattern of ideas and concepts in their families and in their schools; they make the first steps in the difficult art of thinking; they begin or do not begin to look at society and politics

as a moving, flexible system; in innumerable experiences with people and institutions, in discussions, private and public, in reading and studying, in organizations of every kind, economic and cultural, in the ways literature is brought to them and fitted into the social whole—through this long and complicated process the ground of public opinion is prepared. Every cultural element contributes to it and is itself molded by it. Newspapers are but one of the instruments through which this process makes itself articulate.

When a decision has to be taken, however, as in voting for a political party or for a special measure, this vast complexity that forms opinion must be reduced to a clear cut issue. The technique of every political or administrative body requires the reduction of complicated matters to a "yes" or "no"; majority rule is inevitable whenever unanimity is unattainable. This integration of a diversified public opinion into clear cut decisions does not efface individual features and modifications. A democratic administration can give consideration to different views and can represent them through a flexible practice that considers the different opinions according to their weight and merit; furthermore, as long as the process continues through which the prevailing opinion was formed, that opinion can be formed anew, and this possibility of change casts its shadow on all decisions. Nor does this flexibility mean lame compromises; on the contrary, it means the synthesis of various points of view, and it gives assurance that where public opinion has legal instruments of expression no petrified dogmas can prevail in the long run.

The scientific analysis of public opinion, of its ways of expression, of its guarantees and necessary restrictions, contained in a huge literature, presupposes that public opinion always possesses organs of expression through which it can propose changes in the political structure of a country. The principal emphasis has been given to two questions: how legitimate

government and the ruling powers can be protected against attacks that hamper regular and necessary administrative work and undermine authority; and how public opinion can be protected against those restrictions of its free development which are considered necessary in order to preserve "law and order" and the authority of the government. Apart from these two political problems, which are in fact one—the coexistence of a government and its opposition—the question has also been discussed where the borderlines must be drawn between legitimate freedom of public opinion (as in the press) and freedom of personal opinion, a question that arises in such matters as libel suits. Today these problems, though formally perhaps the same, have taken a new character. It is no longer a question of what infringements on freedom will constitute an undue limitation, but a question of what uses of freedom will bring about its eventual destruction. Some of the forces which are seeking to influence public opinion today would ultimately destroy that very possibility for free expression which now enables them to operate.

Democracy, built as it is on the ideals of freedom, relies on the principle that all varieties of opinion must be given an equal chance. Any opinion is entitled to its free development if it wins the support of the majority by democratic means. Certain restrictions do indeed exist—libel laws, censorship regulations, a more or less tendential influence on education—but on the whole it is believed that in a democracy public opinion should be left free to go its own way. This reliance on an untrammeled public opinion has been one of the important factors in creating a democratic public, aware of political problems and feeling its responsibility in their solution. Complete freedom for every voice that would influence public opinion is excellent education for the public and can give it a wholesome protection against dangerous forces which arbitrary muzzling of those forces could never give. But freedom

is already incomplete, or becomes no more than negative freedom, when the dangerous influences take an active part in attempting to influence the public and those whose convictions are attacked remain passive and indifferent.

Democracy, like any other form of government, must protect itself against those who would destroy it. Self-defense is a fundamental law of society, as of nature. When this attempt at destruction takes the form of a frontal attack against democratic authority or institutions there are universally accepted means of dealing with it. But there are other and devious corruptions that are not recognized so easily, and these can be dealt with only if the public has an active sense of responsibility which considers a subversion of principles as significant as a subversion of the concrete manifestations of those principles. To deny the importance of this democratic self-consciousness and self-respect is to imply that democracy is an empty shell, a playground for diversities of opinion, a laboratory for any regime, a machinery for casting votes—and not an active political system and an all-pervasive way of life.

In its beginning, wherever it came to power in history, democracy was always the victory of freedom over tyranny. It waged a heroic battle against governments that refused to accept the idea of free public opinion; it fought and defeated the idea of molding the whole people for the purposes of the rulers; it aligned itself against dogmatism, the spiritual basis of tyranny. The very foundation of democracy is an active drive against inimical principles. Like the Trojans, who themselves carried the enemies to the center of their fortress, democratic governments work for their own defeat if they uphold an abstract, indiscriminate freedom, open to everyone, whatever his purpose and whatever the means he uses to achieve it. It is mere inertia for a government to accept on the same level of tolerance a movement that would destroy its existence and

a purely internal movement, such as agitation for prohibition, social security or higher tariffs.

Those who maintain that every creed should have the same chance of winning followers, the same chance of coming into power, are likely to assume that every creed is accepted or rejected on its own merits. They believe that, at least in the "long run," those ideas will be victorious which are worthy of allegiance, and that the spurious or detrimental ideas will be burned out in the cleansing fire of competition. But such an attitude assumes, either consciously or unconsciously, that there are certain rules of the game and that these rules will be observed. Actually there is no free competition when some of the competing ideas are favored with all the material resources of special interests, and when propaganda for them makes use of misrepresentation and demagoguery to arouse ungovernable emotions. Freedom of opportunity in any field, be it the labor market, industrial competition or the public forum, has meaning only if the values it stands for are satisfied by the conditions it creates.

Thus if a democracy merely provides all the conditions for untrammeled intellectual development, taking no heed of the direction of that development or of the contents of thinking and feeling, it leaves itself no protection against those who would actively make use of this opportunity in order to serve their own destructive purposes. This bloodless ideal implies that a position once won is forever secure and need no longer be defended.

There are several ways in which democracy can defend itself in the arena of public opinion, without violating its own conceptions and principles. In the first place it can use its sovereign authority to enforce the rules of the game and minimize the dangers arising from misrepresentation.

For example, it would be possible to show greater diligence in protecting the public from deliberate lies. Demagogues are

always quick to cater to the popular greed for sensation by falsifying facts for their own purposes and by vilifying individuals who are convenient targets of attack. When such practices are allowed to go uncontrolled they constitute an instigation to crime which no society can endure. In Germany Rathenau, Erzberger and many others would not have been murdered if the nationalistic press had been restrained from attacking them with vicious lies. It can scarcely be considered an infringement of liberty, it is not even a measure of censorship, to make it impossible for writers and publishers to play with the lives of their fellowmen. Libel laws, carefully framed and diligently enforced, are an indispensable armament for democracy. They cannot furnish complete protection, for truth as well as lies can be made to serve the usages of deception, and the most fertile fields for demagogues are often those where the issue depends not so much on facts as on interpretation. But in the broad ranges of publicity, as in the narrower ones such as commercial advertising, it is possible to enforce a greater regard for truth than now exists. Also, the compulsory issuance and publication of sworn statements about the financial resources of political movements would make it possible for the public to appraise more realistically the slogans and pretensions that subversive movements thrive on. Such movements often style themselves and succeed in being accepted as spontaneous expressions of popular higher ethics against a "corrupt" democracy. If their propagandist measures, of whatever kind and in whatever medium, were accompanied by information concerning their origin there would be no infringement of liberty but there would be a very considerable increase of understanding.

Such measures as these would provide some degree of protection against the misuse of freedom in matters affecting public opinion. But it is still more important that public opinion itself be fortified against the possibilities of such mis-

use. The people must understand and actively participate in the basic ideals of democracy if these ideals are to be defended against attack. They must learn that it is no shibboleth but a vital truth that the state is their own, that they are free citizens with rights and responsibilities and that their worth as free men depends on their readiness to fight for their freedom. Today the conditions of life and the facilities for communication and education provide far greater possibilities than ever before for reaching the masses. Working hours are shortened, giving increased leisure time, especially in towns and cities; adult education, in the widest sense of the word, finds new opportunities; newspapers, radio, moving pictures, theater, all the cultural activities have, at least potentially, a universal audience. Any viable democracy must make use of such opportunities for reaching its citizens. Certainly its enemies will not fail to use them.

If it becomes necessary for a democracy to go farther and, in the interests of self-defense, make forceful use of its authority against minority movements that aim to destroy it, it is still within its rights as a government. The prohibition, for example, of uniformed and armed groups which arrogate to themselves rights that can belong only to the sovereign power and whose members swear allegiance to their leaders as against the state, is a necessary precaution of any government if it is not to abdicate its position or give way to anarchy. In a time of general social disturbance it may be necessary and justifiable to resort to extraordinary measures such as would be required in self-defense against a hostile foreign power. Such undemocratic measures as censorship, dissolution of parties, restrictions on the freedom of speech, press and association, the use of force against force, may conceivably be necessary in order to save democracy itself.

But if such arbitrary measures become necessary in order to combat a dangerous minority, democracy must itself confront

the essential problem of its existence: the distinction between the suppression of anti-democratic reaction and the suppression of a legitimate opposition. And, closely connected with this, is the danger that suppression once resorted to will corrupt its wielders and that the democratic leaders themselves will aim at a dictatorship in the name of freedom.

The very existence of such problems is proof of the ethical basis of democracy. And as in all ethical problems there is no formula which would provide a solution for every situation. The distinction between self-defense and oppression depends on the entire set of circumstances involved. The democratic leader, acting as trustee for the liberty of the people, must find in his own conscience the limits of his powers. If the limits are surpassed a nation still jealous of its democratic heritage will reassert its rights; a nation grown complacent and passive toward that heritage may find it must be won anew.

In our present world it is not impossible, however, that the values of democracy are no longer deeply rooted in the popular consciousness. Since the World War political transformations and the disintegration of society and of thinking have in some countries destroyed the common ground which made democracy a generally accepted ideal. Minority movements, seeking their own ends, rationalize their thrust to power by persuading the public that democracy is no longer an adequate form of government. The democratic way of life assumes that all social groups will accept and co-operate in the principle of majority rule, and that all problems, political and economic, including even the problems concerning the rights of property, will be solved by evolutionary development and popular consensus, on the basis of equal rights and equal representation. It assumes that man is capable of responsibility and self-control and mutual adaptation.

If indeed these assumptions of democracy are too sanguine

for the present world, then coercion and autarchy of some kind will surely succeed in overthrowing it. But these democratic assumptions are as tenable as their antithesis. Man is very largely what he believes he is. And if the values of democracy are kept before the citizens with as much urgency as the anti-democratic values of the "iron hand," the struggle between the two conceptions of man can at least be clearly defined. Those who still believe in democracy must realize that public opinion is an exceedingly important factor in this struggle. It is their duty to see that the fight is not lost because the opponent is left unchallenged, and that the people are made to understand the implications of the issue that envelops them. It was no less a libertarian than Lincoln who declared, "Whoever can change public opinion can change the government practically that much."

## DEMOCRATIC NATIONALISM

*By Carl Mayer*

IN ORDER to understand the phenomenon of "democratic nationalism," or rather the problem involved, it is necessary first to inquire into the relationship that exists between modern democracy and the principle of nationality. It is in the specific kind of relationship between the two that the germ of nationalism within democracy is to be found.

Though this problem has not yet been clearly answered in all details the specific character of the relationship in its fundamental elements is manifest. Democracy and the principle of nationality are related to each other in two ways, which can be described, somewhat dogmatically, as follows.

First, modern democracy is founded upon the principle of nationality. Or, from another angle, the "nation" is considered to be the "political substance" of modern democracy. This means that for a democracy the nation is the final source from which the political life must be derived. The nation is the social-political unit, simply given, an a priori entity and pre-existing unity, irrationally grown. Therefore it is considered to be the homogeneous spiritual oneness beyond all divisions, thus occupying in a democracy the place which, in previous times, was occupied by the idea of the Holy Roman Empire or United Christendom or "Europa." It follows from this that in modern democracy the nation is supposed to be the principal factor of integration in the social and political

field. Society as a whole, as well as all its various political, economic, legal and other aspects, are but objectivations or emanations of this ultimate principle. In the political field in particular the nation is of supreme importance to a democracy. Not only does the state emanate from the nation in the same way as all other forms and types of social life as a whole, but the nation is regarded as the idea which ultimately gives legitimacy to the political organization. To the nation is consigned the ultimate right of decision and in the nation alone can the state find justification for its existence as well as its action.

The logical result of all of this is, in the first place, the idea of national sovereignty, the word sovereignty meaning the *potestas legibus soluta*. Only the nation can be sovereign, not any particular group, be it aristocracy or oligarchy, against which the idea was originally directed, or even the state, unless it fulfill the demands of the nation and remain in line with the general principles laid down by the principle of nationality—unless it be the expression or manifestation of the underlying nation. In the second place the logical result is the idea of national independence from any interference from without. Every imposition from without is illegitimate, and the least to be achieved is that foreign governments in a country (such as Austria in Italy or Russia in Poland) must be abolished. "It is in general," wrote J. S. Mill, "a necessary condition of free institutions that the boundaries of government should coincide in the main with those of nationalities" (*Representative Government*, p. 298). The nation has to govern itself. It was no accident but wholly in keeping with this idea that the wave of democratism after the World War was activated by the principle of the "self-determination of nations," so ardently advocated in Wilson's peace program. This was but another expression of a basic and necessary principle of modern democratic government.

In short, the first point to be stressed is that democracy—as far as its realization in the actual world is concerned—by virtue of its indwelling logic advances the idea of the identity of state and society in and through the medium of the nation. It wishes to abolish the dire consequences of an independent state, with its own sovereignty and legitimacy, by establishing national sovereignty and national independence, in other words, by dissolution of the political order into the common mold of the nation.<sup>1</sup>

The second point in the relationship between democracy and the principle of nationality is that democracy, in postulating the nation as "the political substance," gives to the nation the character of a supreme, or even an absolute, value. When the phenomenon of "nation" becomes an absolute value in itself it means, from a negative point of view, that the nation can no longer be put into a higher and comprehensive order of values. There is no longer any system of social values which could transcend the sphere in which the nation exists; there is no longer any transcendency at all. From a positive point of view, the nation becomes now the highest point of reference in the field of social values. All other values have to be grouped and ranked around this central sun. The nation itself does not have any negative or neutral characteristics; it is imbued only with good and positive characteristics. It possesses greatness, superiority, singularity, supremacy, uniqueness. In particular, it is absolute and supreme in two directions within the human hierarchy of values. It is immune

<sup>1</sup> H. O. Ziegler and Carlton J. H. Hayes have provided ample historical evidence on this point. It would, indeed, be very easy to show the close relationship between the two phenomena in all great periods of the modern democratic movement—in the American and the French Revolutions, for example, in 1830 and 1848 and finally in 1919. In all these cases democracy is, of necessity, aligned with the national movement, because democracy finds its full realization only in the element of nationality. It is only under this condition that democracy attains its full vigor and its full life.

against all commands of supernational character because none is recognized, and it is absolutely supreme in relation to the claims from below, from the individual. There are no planes commensurable to the plane of the nation, no value that can be matched against its absolute value. To be sure, there may be difficulties and problems in realizing this system of values; in fact, it can never be fully realized. But the point is that in case of conflict (which is the supreme test in this problem) all other values have to be subordinated to the nation or, more often than not, abandoned.

It is interesting to note in this connection that, beginning with Rousseau down through the whole nineteenth century, almost the entire literature dealing with the nation starts from this presupposition, often quite unintentionally, it is true. Rousseau's theory of the general will, the theory that the nation emanates from the *Volksgeist* and hence is an incomparable "spiritual individual," the historiography of the various national-liberal schools which interpreted history from the point of view that the nation is the ultimate moving force in human development and progress—these are all in various ways symptoms of a trend toward a philosophy of immanence which, sometimes quite naïvely, sometimes very consciously, makes the nation the uppermost of human values. It is true that, with the exception of Rousseau, most such theorists were only slightly connected with, sometimes even openly opposed to, the democratic movement. This, however, is not the point. The important point is that the democratic movement introduced into the world a new political principle of such vigor that everyone was affected by it, sometimes even intoxicated.

Now what conclusion in reference to our present problem can be derived from this tentative analysis of the relationship between democracy and the concept of nationality? It seems to me that it is this specific type of relationship which gives rise to the possibility of nationalism within democracy. Al-

though there is no necessary relation between nationalism and the idea of nationality—in fact they are fundamentally opposed to each other, one being destructive of the other—the special emphasis which democracy puts on the principle of nationality, or rather the transformation which it undertakes of the idea of nationality, creates necessarily a situation which is favorable to the rise of nationalism. In other words, the contamination of the idea of nationality with the political element, and the elevation of the "nation" to the supreme social and political value, combine to make nationalism possible within a democracy. Nationalism is the inevitable result when the nation is made the highest point of reference, both in the field of reality and in the field of values.

Therefore we may now derive the first decisive conclusion concerning our present problem. Modern democracy, having made the nation the ultimate producer of the political world, and the ultimate value in that world, engenders of necessity the possibility of nationalism—a possibility which will become a reality unless it is checked or paralyzed by counterforces within democracy.<sup>2</sup>

## II

A phenomenon like democracy cannot be fully grasped in its entirety by referring only to the actual expressions it assumes in reality or by reference to the ideologies or theories concerning it. Behind the actual reality and beyond the ideologies and theories of a phenomenon there is its "essence" or "inner structure" or *eidos*. In order to comprehend the full meaning of a phenomenon it is necessary to examine this

<sup>2</sup> It is necessary to guard against a possible misunderstanding. This is not an analysis of the complex phenomenon of nationalism as such and in its entirety. Such an analysis would have to consider many forces and sources beyond the scope of the single problem and single relationship involved in democratic nationalism.

inner structure or this essence. Indeed, even the actual facts and the theories and ideologies themselves can be understood only when judged from this center of reference. What, then, is the essence or the *eidos* of democracy, and what light does it throw on the tendency toward nationalism that operates within the framework of democracy?

It seems to me that the essence of democracy is still best expressed in the much abused and much misinterpreted slogan, liberty, equality and fraternity. The significance of these three words can perhaps be interpreted thus: democracy is based on the idea that man is endowed with liberty and reason and responsibility, liberty being his potentiality to be a "person" with his own individuality, reason being his typically human endowment and one which unites him with his fellowmen in a specifically human way, and responsibility embodying the creed that man is to be his fellow's brother. These, because they are the decisive and unique elements in man's nature, must also be the decisive elements in his social and political life. Hence they have to be made the very cornerstones of a democracy, and the concrete "orders" of human life within democracy must be shaped in accordance with them.

This means that the "social sphere," for example, has to be governed by, and according to, the idea of social justice, which is but another expression of man's responsibility toward his fellow man, under the specific conditions given in this field of human existence. About the genuinely "political" sphere, that most difficult and complicated of human social "orders," it is difficult to speak in abstract terms. But it might be said that in a democracy this sphere must be governed by three ideas: these are, roughly, the idea of the free co-operation of free men—which is the underlying idea of the sovereignty of the people—thus solving the problem of "authority" and of "power" within the state; the idea of purely objective law; and finally the idea of mutual respect in relations between

peoples, that is to say, the idea of peace and harmony in international affairs.

What, then, does the democratic tendency toward nationalism mean, seen and judged from this inner structure of democracy? The answer seems to be that this tendency toward nationalism involves the very negation of the inner meaning of democracy and therefore threatens to disrupt its whole political fabric.

In relation to the general spiritual and moral principles of democracy nationalism is the negation of liberty. For liberty it substitutes the nation, a process meaning the surrender of the individual to the collective will. It is not the individual but the mass that counts. Furthermore, nationalism is the very antithesis of reason and responsibility. Reason it replaces by irrationalities, setting the irrational *volonté* against *raison*; responsibility it replaces by an anonymous collective will, which is everyone and no one.

In the political field nationalism actualizes the potentiality, inherent in a democracy, for a new type of absolutism. Its tendency toward an omnipotent and omnipresent state makes for the new totalitarian state which is, if not the logical, very often the actual, outcome of a democratic political order. Furthermore, nationalism tends to a blind worship of power just because it is power, and to an utter disregard and contempt for such things as the law or justice or peace. Power is believed to be the only natural expression or manifestation of the nation, of that unfathomable ideal which justifies all the selfish aims of nationalism. Consequently nationalism creates "national egotism" and a permanent tendency toward imperialism and war. "We are we. Therefore we are the chosen people. Therefore all others are contemptible and worthless. Therefore we have the right and not only the right but the duty to fight them, to overcome them and to incorporate them into our rule and command." As soon as

national egotism becomes prevalent the idea of mutual respect among nations is definitely discarded and the next step is to disregard all international obligations or to treat them under the motto "*rebus sic stantibus*." International chaos will necessarily ensue.

We may now draw another conclusion regarding the problem of democratic nationalism: although nationalism is always inherent in democracy, as a permanent potentiality, it is at the same time destructive of democracy since it undermines the very foundation upon which democracy is built.

### III

Democracy is thus faced with a dialectical situation issuing from the fact that nationalism is both a necessary and a destructive element within its framework. If democracy is to continue to exist other elements must be introduced in order to offset or counterbalance the effect of this dialectical situation. On this problem only a few theoretical considerations can be offered here, as logical inferences from what has been said.

Democracy must transcend the mere immanence of nationality and create again supernational standards which may direct judgment on all concrete issues of national life; and it must rob the "nation" of its principle of autonomous sovereignty and subordinate the nation to an all-embracing system of values. The nation must be considered again only as an element, and no longer as an aim in itself.

Democracy is based on two principles: the principle of nationality and the principle of humanity. Both are indispensable, though they are fundamentally opposed to each other. The first is necessary because nationality is the social-political category of a democracy. The second is equally necessary in order to offset the possible dangers inherent in the first. Without the first element democracy could not be trans-

## DEMOCRACY AND FOREIGN POLICY

*By Hans Simons*

IF IT is asserted that its operation under a democratic constitution may influence a nation's foreign policy, two widespread theories are contradicted. According to the first theory the foreign policy of a nation depends on given facts of its geographical situation, its natural resources and the racial and demographic qualities of its population. Since these factors are practically unchangeable the foreign policy of a nation remains consistent; there may be changes of method, tempo, energy, but the ultimate goal is always the same. A whole school developed around this theory—geopolitics, a variety of geographical materialism, which conceives man as a mere accessory of other natural forces and influences. Continents and climates, monsoons and trade winds, rivers and mountains become somewhat like heroes of history.

These factors are, of course, important. At some times and within certain limits they may even be decisive. It is true that climate does not follow democratic or dictatorial wishes, either in Europe or elsewhere. But there is also something to be said against such a theory. The degree to which technology has overcome what is called nature scarcely needs stressing. Furthermore, the same natural fact may cause very different developments if other circumstances differ. This is evident in the role that the ocean plays in American policy: the Atlantic, in spite of the enormous traffic which spans its waters, is sup-

posed to be an insulating element, while the Pacific, in spite of its providing much fewer contacts, is looked upon as a connecting force. Also, before the war everyone believed that Russia was bound by her geographic destiny to aim at possessing the Dardanelles and at gaining an ice-free port on the Pacific. But Soviet Russia did not follow that line of destiny. Not only did it sell the Eastern Chinese Railway to Japan, but it supported Turkey's attempt to bring the Straits under Turkish military control. Even racial forces, the dominance of which was for a long time taken for granted, are under a certain control when primitive tribes kill the weaker children, and are now subject to a similar if less effective control through enforced sterilization or propagation, checked immigration and emigration. And what would happen if a nation realized its geopolitical destiny? Would the new destiny too be dependent on unchangeable factors, and what are these factors? Even by the most thorough scrutinizing of natural elements we shall never discover more than supplementary forces, and we shall be unable to assess their scope and importance.

The second theory, again in a popular exaggeration of an important consideration, asserts that foreign policy always takes priority over domestic policy. Such a generalization is as untrue as the first. We do not need to find out whether it is believed that the structure and development of internal politics depend on external power relations, or that a nation should derive its inner decisions from the demands of its foreign situation. In any case, to contend for the priority of foreign policy is to indulge in a misleading and confusing simplification of political relations. There may be instances, especially in times of war, when such a priority is a practical necessity. During a certain period an issue in international relations may be so urgent that a government, regardless of its special inclinations, is forced to tackle it. Yet even then

the method of handling it depends on domestic influences. Normally these influences are decisive in the development of foreign policy, so much so that difficulties emanating from an internal situation may endanger the foreign situation of a country. The history of Franco-German relations during the postwar period is to a large extent a history of domestic affairs interfering with and complicating the problems of foreign policy. Germany's foreign policy, moreover, centers today around her anti-Russian tendency, whereas before Hitler came into power it was generally accepted that Germany, whatever her sympathy or aversion toward communism, was bound to maintain good terms with Russia. It was plainly for domestic reasons, and clearly against important foreign interests, that Nazi Germany followed the new anti-Russian orientation. Again it is impossible to state generally where the prior influence lies, and to make sure in the single case the limits and relative importance of foreign and domestic forces.

Thus it must be remembered that the democratic element, like the geopolitical situation or the interrelationships between internal and external forces, constitutes only part of the forces determining the foreign policy of democracy and that it is not always possible in a given case to find how far the fact that a nation is democratically organized may influence its political decisions.

The fact of democratic organization does simplify analysis, however, for in a democracy the relations between variable and invariable factors, between internal and external forces, are more clearly evident. If we assume that men themselves act under the influence of their surroundings, we may say that the geopolitical environment becomes the more effective the more its influence on man can be transformed into political decisions—and the possibility for such a transformation is one of the characteristics of democracy. The policy of isolation

pursued by the United States is undoubtedly derived from its geographical situation; there is no doubt that very definite interests would make for other political methods. But it is mainly due to the co-operation of popular interests and feelings—in other words, it is due to the democratic element in American foreign policy—that time and again isolation and neutrality recur as the political theme of this country.

On the other hand, the same factor of free representation in terms of constitutional co-operation opens the door to all the forces emanating from the changing political power within a nation. The dependence of foreign policy on economic and political interests in a democracy is, however, so obvious and so familiar that it is scarcely necessary to stress it. This dependence is perhaps equally close in other forms of government but, except for merely theoretical statements, it can be clearly seen and understood only when a relative freedom of representation renders facts available and interests traceable. The falsification of facts and figures, the suppression of interests, effected by dictatorial governments make it seem doubtful whether in a few decades it will be possible to find out more than the official legend about general policies in those countries.

But even though the fact that a nation is democratic makes it easier for the historian or the political scientist to disentangle the various forces influencing policy, it does not do the same for the individuals who live under the democratic regime. The democratic method of representation makes for an intermingling of foreign affairs and domestic politics as well as for an interrelationship between economic interests and political problems. Facts and factors of political history on the one hand, and forces of industrial development on the other, become essential elements of functioning democracies, even though they are not essential elements of democracy from a theoretical viewpoint. Industrialization and imperial-

ism, which emanates from it, become shaping forces of democracy, even though the ideals of democracy are opposed to economic and political exploitation. The rulers of the economic system had to recognize democracy partly because of the political pressure brought to bear upon them first by the middle classes and then by the workers, partly because they gladly accepted a constitutional order in which—at least in the beginning—it was not attempted to apply political principles to the economic field. But when they did so they also had to accept the ideology of freedom and equality. Thereby there developed a tension between the reality of political and economic activities and the superstructure of ideas, the latter proving to be partly independent from the underlying interests. This tension is typical of a democracy as compared with an absolute monarchy or a dictatorship. The monarch does not need to preach a political philosophy which is directly opposed to his interests. The dictator, more than any other ruler, applies a technique of suppressing any ideology opposed to his political creed. Whatever the resistance of his opponents may be, it does not create that tension which exists in democracy where the opposing forces work within and through the ideological superstructure which the political leaders have to acknowledge.

This tension, however, gives to democracy a great strength. It influences considerably the foreign policy of a democracy because there too the predominant interests have to take into account some elements of the democratic creed. Without going into the details I may mention the Mandate System under the League of Nations, representing in itself this tension between an accepted idea and its contradictory basis, or the policy of the United States toward the Philippine Islands. The economic interests which brought about the so-called abandonment of the islands are indisputable. But they could have been satisfied by other means. It is the character of the foreign

policy of a democracy to keep together opposite economic interests within the frame of national independence, thereby creating an important political factor distinct from the economic one.

The same curious conversion created by the interacting of imperialism and democracy takes place also in democratic nationalism, again reacting markedly on foreign policy. The national movement expresses itself most vigorously in terms of democracy. Self-determination, freedom, equality, are the catchwords which cover not only constitutional but also national issues. Theoretically nationalism does not need democratic ideals, but the coincidence of internal democratization and national emancipation time and again throughout the nineteenth century is an historical fact which is evidence of the possible interrelationship between nationalism and democracy. It must be admitted, however, that the democratic nationalism of the French Revolution turned into the Napoleonic hegemonic conquest, that Italy was united by Cavour with the aid of the monarchic forces against the republican nationalism of Mazzini, and that Germany's liberal nationalism of 1848 materialized in the realistic unification by "blood and iron." Thus nationalism may outgrow its democratic clothes. The nationalist dictatorships have no use for the liberal identification of internal and external freedom, of self-determination and equality. Some of them have used these slogans, but for external use only and with a definite alteration of their moral and political value. Also there are democracies with no special nationalist mythology, such as the Scandinavian countries.

Thus the coincidence of democracy and nationalism, which for many generations was an historical fact and an ideological truth, no longer exists. On the contrary, democracy today is uneasy about nationalism. Democracy can no longer throw all the forces of state and society into one single mold of

national policy—except in case of war. Whereas Germany can subordinate all its needs and interests to rearmament, Great Britain has to measure the tempo of its armament increase in accordance with the interests of its exporting industry, not only because its markets are an important factor of its economic existence, but also because the interests which have to be respected in a democracy are largely the same which have to contribute to the expenses of armament. Though this more farsighted method may be preferred in terms of national interest, it evidences a state of tension between nationalism and democracy.

This tension is intensified by modern militarism, which has developed partly as a consequence of democratic nationalism. Although Anglo-Saxon democracy has maintained a sound mistrust of standing military institutions and general conscription, continental European democracies have believed in the democratizing influence of general compulsory service. "The barracks a school of democracy" was a slogan accepted by many well-meaning people. But military organization is bound to be contrary to democratic institutions. The trends of military service are all in the line of uniformity, a development which is very effective but not especially or exclusively needed for democracy. As for political influence, any possible democratizing effect of military training is certainly upset by the much more important and decisive element of hierarchical order, of command and obedience, of uncontrolled decision from above. The barracks, first described as schools of democracy, later became known as hotbeds of radicalism. When a state is entirely military in its organization and its scheme of values there is no inner discrepancy in its operation. But when, as in democracies, different drives are operative for political and for military purposes, for peace and for war, then a tension develops and its internal conflicts react strongly on the foreign policy.

## II

This schematic survey of the interrelations between democratic institutions and foreign affairs makes it possible to consider—again very broadly and with constant regard for other influences—some of the general trends of democracy in foreign policy.

The revolutionary democracy of America was much more concerned with the republican issue at home than with the idea of world-wide democratization which developed during the French Revolution. When the new federation of states concluded its alliance with France it was solely for the sake of its anti-British interests and not at all with any general anti-monarchic discrimination. Yet there is active in every true democracy a deep distrust of other forms of government and therefore an element of missionary zeal. The United States, having apparently settled its domestic issues and definitely improved its international situation, allowed some of this zeal to enter into the original meaning of the Monroe Doctrine. The French Revolution in the beginning was much more outspoken in its sympathies. In a resolution of the *Constituante* it offered fraternity and succor to all peoples endeavoring to recover their liberty.

But the principle of reason demands freedom for all peoples in the form of liberation as well as in the form of self-determination. If a people really chooses to be unfree, what can a democracy do about it? Democracy can say that freedom in terms of constitutional institutions is the only reasonable form of government, and therefore has to be enforced even against the expressed desire of the population, for self-determination is meaningless unless it is implemented by democratic forms. Or democracy can say that self-determination is the self-expression of reason represented in every human being, and since every people has therefore the choice of whatever gov-

ernment it thinks best, no other nation is to interfere with domestic issues. Democracy has never decided between these attitudes. The working of the Monroe Doctrine developed from a practice of mutual European-American non-interference into a form of United States interference in the other Americas. The French revolutionary constitution declared that the French Republic in its foreign relations would respect the institutions guaranteed by the consent of the generality of the people—but changed this somewhat ambiguous program into another, less democratic in principle but more in line with democratic practice, declaring that the French people is the natural friend and ally of free peoples and will not allow other nations to interfere with its own government. The Monroe Doctrine offers a practical, the French formulas offer a theoretical, instance of the first stage of a self-conscious democratic foreign policy. Later the conflict between republican and democratic ideas of freedom and self-determination became even sharper.

At the end of the World War democracy tried once more to develop a foreign policy of its own. Spurred by the impending victory of the Allied powers, free from any alliance with the czarist autocracy, the United States, through its constitutional spokesman, inaugurated a union of all democratic powers to enforce and insure the realization of democratic ideas. When this plan was conceived it had the familiar form of a union of all the American *republics*. So was it proposed to President Wilson by Colonel House. Later this restriction had to be omitted. But there remained the prerequisite of *democratic* government. The nations uniting in a league were supposed to guarantee one another's political independence, territorial integrity and orderly government. As is known from the diplomatic negotiations carried on between the United States and Germany, political independence meant an international status as well as a constitutional situ-

ation, and orderly government was of course identified with democratic government, preferably in a republic.

Democracy, however, lost that faith in itself, that confidence so successfully strengthened by war propaganda. The characterization "orderly government" was entirely omitted and membership in the league was made dependent only on full self-government, whatever such government might be, and on a guarantee regarding international obligations. This guarantee became absolutely meaningless, for it was not based on an evaluation of what form of government was likely to insure best the faithful observance of international law. As is shown by the discussions which arose when Russia joined the League, and as proved by the League's dealings with Japan, Italy and Germany, democracy did not dare to apply its fundamental ideas to the international order which it tried to erect. Only in the first stage of settlement after the war, when the fruits of victory were to be divided and interests were strong enough to use democratic ideals, were self-determination and independence decisive principles in the creation of the new states. As everyone knows, these principles were not generally applied. Again democracy was under the full strain of a tension between interests and ideas, neither of which allowed a compromise. The ideas asked for a sacrifice in terms of interests, but were not strong enough to reward such a sacrifice with ideological satisfaction; the interests asked for spoils, but were not strong enough to crush the ideas through materialistic satisfaction. Bad conscience ensuing from this situation, by confusing public opinion, became decisive in the weakening of whatever attempts were made after the war for a democratic foreign policy.

Today we are confronted by one problem which might benefit from the ideology and technique of a democratic foreign policy: that is peace. The slogan "democracy means peace" is widely accepted in spite of all disappointments. It

is true that there are some devices which make democracy incline toward a more cautious and therefore sometimes more pacific policy. But in general it can neither be said that democracy as a political system is less prone to war than are other systems, nor that the notion of democracy is essential to a peaceful order. It is not necessary to quote the sixth letter of the Federalist, wherein Hamilton tries to prove that republics may wage war as easily as other countries. The fact that democracies too have had to settle their contests violently does not, however, prove that there is no difference, regarding peace, between them and other forms of government.

Democracy as yet is not bound to any system of peace, nor has it tried to put in action a coherent policy of international co-operation. What democracy has to offer is represented by the notion of "collective security." The problem of how to balance the necessary conservation of any order with the needed changes within that order is not at all restricted to democracy, nor could failure in this effort be especially blamed on democracy. Yet a basic characteristic of democracy, without parallel in any other system of government, is that it creates a majority so strong and so liberal as to adapt a static order to the dynamic forces of political life. Thus the postwar system of collective security, which adopted a device much more congenial to a purely conservative conception of politics, was not only a failure but a fallacy. The Holy Alliance practiced collective security much more conclusively, through a meta-political ideal realized by strong methods of enforcement at home and abroad. This ideal was based on political and moral evaluations, strongly anti-revolutionary, and was developed as a means of maintaining the political and social order among and within the European monarchies. It aimed not at concessions but at suppression. Democracy could use the ideal against which a conservative policy struggles. But if it resorts to a conservative collective security it is following

a procedure which is incompatible with an unrestricted equality of all political systems and with full self-determination for every political purpose. In other words, collective security, whether conservative or democratic, is practicable only if it is related to a content of political ideals at least as much as to a form of international relations.

In the political techniques of foreign policy, as constitutionally established, there are certain specifically democratic elements. The various constitutional and legislative restrictions under which the executive branch works in dealing with foreign relations establish a definite political control in this field. In so far as this control prevents secret treaties—as it does not in France or in Great Britain, but as it does in the United States—and in so far as it renders decisive actions in foreign relations, such as the declaration of war, the making of certain treaties or the ceding of territory, dependent on the consent of a representative body, it certainly influences not only the methods but the aims of the foreign policy of a democracy. The United States Senate is the outstanding instance of political control to the full extent of constitutional competence. It is true that a government that feels itself strong enough may exceed such constitutional restrictions by creating *faits accomplis*, by committing itself in the form of an exchange of letters, verbal notes and unilateral declarations. But such evasive administrative methods can be largely counterbalanced by a public opinion which is strong enough to make itself felt through the channels of parliamentary debate and elections. The British Parliament, which constitutionally has no share in the foreign power of the king and government, is most effective in the exercise of a general democratic control. Whether this control act for the status quo and security, or for peace and progress, or for conquest and coercion, depends almost wholly on the forces which wield this power within a country. There is one fact which can be

ascertained: democratic control prevents precipitate decisions even if it does not guarantee right or reasonable results.

It is often questioned whether it is worth while to maintain a method which is dangerous when used in dealing with dictators. But to complain of the inadequacy of democratic methods in foreign relations is to invert the facts. The question is whether democracy and dictatorship can co-operate internationally on an equal level. It is obvious that a democracy which is bound by the complicated processes of its political machinery is badly handicapped in comparison with other systems which are not bound by any rule. The adherents of those systems, as has been said, demand rights from democracy on the basis of democratic ideals, but on the basis of their own ideals deny the rights of democracy. This procedure has to be resisted, or democracy will be proved an empty shell. There are undoubtedly disadvantages in the democratic system, such as slowness, ambiguity and complexity. Yet it has a decisive merit. It takes care of the different interests which have to be balanced lest any commitment in foreign politics be only temporary and fictitious. Moreover there are many technical devices which make up for democratic indecision. Parliamentary consent is not needed for defensive measures; a democratic government can prepare as well as any other for an emergency, as the new Czechoslovakian legislation shows; it can provide the necessary protection without weakening its control, as Great Britain did in her Defense of the Realm Act.

The field of foreign policy contains certain anti-democratic elements which should be mentioned, even though technical developments have deprived them of some of their importance. Diplomacy hampers democratic relations. Its representatives are normally without any popular contact. Its method favors a type of officialdom which is inclined to despise parliamentary policy. The need for secrecy furthers misuses, *fauts accomplis* and favoritism. These difficulties are based on no

vital issue, but they reveal again the tension which is typical of democracy.

It may be that the constellation of forces which for the time being restricts dictatorships to certain countries is bringing about a grouping of nations which could be described as something like a democratic front against dictatorship. But such a democratic alignment could not in itself be considered a characteristic development of democratic foreign policy. There is always a tendency, which was especially evident during the last war, to misuse the name and the ideology of democracy for the sake of nationalistic interests. In fact, the answer to the question of democratic foreign policy is far from being satisfactory. A foreign policy of democracy does not exist. In general terms it can be conceived as that part of the foreign policy which depends on the democratic ideals and institutions of a nation. In particular cases it may be the foreign policy of a nation which, being a democracy, clothes its interests in special slogans or serves its ends by special methods of international intercourse. In extremely rare instances it may happen that the foreign policy is truly defined by the fact that a nation is a democracy. In any case, however, it is necessary always to bear in mind the diversified meaning of democracy and the different forms of democratic control. Both make it doubtful whether for any practical purpose any political activities in the international field can actually be defined as the foreign policy of a democracy.

Yet this negative conclusion does not suffice. Though a democratic foreign policy cannot be defined in terms of peace or war, of methods or purposes, it certainly can be ascertained by comparison with the foreign policy of countries where no constitutional or political control checks the autocratic tendency which is so especially dangerous in the field of foreign relations. Then the outstanding fact becomes obvious that foreign policy in a democracy is part of a process of voluntary

adaptation in which different groups freely fight to preserve their interests, thereby recognizing the issues and implications of foreign affairs and mutually preventing public opinion from being misled. If, as a result of free intellectual intercourse, co-operation and information expand on international lines, the omnipotence of the ruling group and the uncontrolled activity of the government in the foreign field are more effectively restricted. Of course, no democracy is safe from the danger of misused emotions. But a democracy develops and recognizes the balancing forces of popular reasoning, so utterly absent under other forms of government. Therefore a conditional statement can be added. If democracy regains a belief in the social meaning of its order, if it is able to identify a certain content with its traditional forms, if it is ready to refill the old machinery with a new missionary ideal, then it can extend its rule to the international field, not only by using a special method but by setting a genuine goal for democratic foreign policy.

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## THE SUBSTANCE OF AMERICAN DEMOCRACY

*By Alvin Johnson*

AMERICAN political thinking has often been contrasted with that of the European continent. The European political scientist exhibits a philosophical background, a familiarity with history—not history in the raw, but worked and re-worked to yield the fine metal of general experience. He has a rigorous and objective method, which elaborates concepts to Platonic ideal solidity and marshals them for defense or offense in perfect confidence of their morale. The structure he erects on the basis of his conceptual analysis has the beauty and validity of a harmonious logical system. We Americans exhibit no such harmony and consistency in our political thinking. Our most influential writers and speakers have been men of affairs rather than professional scholars—men like Hamilton, Jefferson, the Adamses, Clay and Calhoun, Douglas and Lincoln. These personalities, to be sure, are part of our early history. Since the Civil War the professional scholar has played a more important role, with the result, however—according to Charles A. Beard—of a disastrous decay in vitality and creativeness.

Ask a European scholar what he means by democracy, and he will furnish clear cut concepts of political, social and economic democracy and a quintessential concept underlying all three. Ask an American scholar, and you are likely to get a

hesitant and somewhat confused answer. He will produce definitions, but with no apparent confidence in their adequacy. He will appear to be straining his mind to see the concrete thing that was conceived of as democracy by the early American statesmen, by the plain citizen of the early New England town, by the inhabitant of the present day country town or farming community.

What the American scholar is seeking to grasp is not a concept constructed according to the best philosophical specifications, usable thereafter as a perfectly shaped block in logical architecture, but rather a working description of a reality, no less solid and integrated because it is composed of feelings and attitudes developed through a long history and adjusted from time to time to external conditions.

What is the *Demos* in American democracy, and what is the *Krateia*? At first one would be inclined to answer, the *Demos* is the whole people, the *Krateia* is unrestricted majority rule. But wait. There never was a time when any living American democrat did not feel that certain elements in the population should be excluded from the franchise; nor was there ever a time when an American democrat believed that a majority has a right to wreak its will purely according to its own whim or its conception of self-interest.

To get at the roots of the concept of American democracy—the felt concept, not the logical one—it would no doubt be necessary to go back at least to the period of the Teutonic migrations, when the break-up of traditional rules and the inadequacy of leadership forced the common man to work out schemes of behavior by which he could live at least temporarily at peace with his fellow man, and by which he could secure the co-operation necessary for defense or for conquest. But we need not linger over such social evolutionary speculations. When the English established themselves in America they brought with them an institution which was destined to exert

a profound influence upon American political institutions, and which may deserve the credit of serving as the nuclear element in American democracy. I refer to the jury system of dispensing justice.

What was the composition of the early American jury? Twelve good men and true—but exactly what did this mean? First of all, a good man and true was one who stood on his own feet, responsibly. He could not be another man's man, subject to another man's orders. No flunkey was regarded as fit material for a jury. The good man and true could not be a man of overwhelming social or economic power, for such a man's interests might overrule his conscience. Typically the juror should be a freeholder, or an artisan with a trade of such general utility that he need not depend on any particular employer, or a small merchant whose custom attached him to the community at large—but not the purveyor to the great.

These twelve good men and true were clothed with power over the goods and liberties and even the lives of their fellow men. Among neighbors this was felt to be an enormous power. It had to be exercised within the law, majestically conceived to have taken its real origin in nature or the behests of nature's God, however notoriously its immediate expression might be derived from the statutes and decisions of imperfect and fallible men.

Every case before the jury involved questions not resolvable by appeal to the law, questions of fact and valuation, of policy and humanity. Here the jury had free range to act, but according to conscience, not according to partisan prejudice, self-interest, arbitrary whim. Juries did indeed act occasionally on such grounds, but this was universally reprehended as a violation of the juror's oath, a sin against the spirit of the law and justice. The *Krateia* of the jury resolved itself, then, into application of the canons of justice.

In a typical New England colonial town there were between one hundred and two hundred citizens eligible for jury duty. Between the ages of twenty-one and sixty-five every one of these citizens would have been impaneled a dozen times and would actually have served several times on the jury. He would have had impressed upon him by actual experience considerations of the meaning of law and justice, in the context of vivid human problems. He would have discussed these problems outside of the jury room with his neighbors and the members of his family.

We are justified in regarding jury experience as an educational force which made of the town meeting, composed almost entirely of these good men and true, a governing body quite different from a chance gathering of men voting according to whim, prejudice or self-interest.

In the New England town there were elements of the population not eligible for jury duty nor endowed with the franchise. Such were the indentured servants and the occasional slaves; also the more or less permanent class of servants who lacked the ambition or capacity to become freeholders or self-dependent artisans. There were also occasional relics of shattered Indian tribes and *non-English-speaking immigrants*. These were no part of the *Demos*, as embodied in New England democracy. To be sure, they were governed by the town meeting, subject to trial by juries on which they had no representatives. There was nothing striking or illogical about this situation, in the eyes of the New England democrat. The democracy was admittedly a selective body, specially fitted to administer government and justice not only for themselves but for other members of the community. They were fitted by their independence of position and hence of judgment, and their training in responsibility and in the binding quality of the oath of juror and freeman.

This form of local democracy, which existed also in the

South, although considerably modified by aristocratic influences, was carried westward by the pioneers. In a region of unlimited free land and an economy based almost completely on kind the distinction between the self-dependent citizen and the foot free transient or alien tended to disappear. The Demos came to include virtually the whole population. Anyone could vote in local government; anyone morally and mentally fit could serve on the jury. Equality of economic condition had extended the range of accepted democracy and had widened the scope of American democratic theory. A man might not at the outset be a fit member of the Demos, but under the free American sky, vaulted over the free American soil, he was bound to become a fit member.

In the Jacksonian era this more liberal spirit of Western democracy reacted upon the East and helped to destroy property qualifications and establish universal manhood suffrage. Yet the sense of the need for personal qualification in the way of economic independence and the ability to look beyond personal interest survive to this day.

To this day it is felt by the traditional democratic elements in American society, the farmers, artisans, small traders, professional men, that the floating population of the great cities, the masses of exploited workers huddled together in company towns, are no real part of the democracy but a pathologic intrusion, corrupting democratic institutions in so far as they are not disposed with fair equality on both sides of an issue. The real American democrat expects the labor organization movement to increase the proportion of the population that is able to take an independent stand and so play a worthy part in the democratic scheme. He expects progress in education to work in the same direction. The masses, as he sees them, are not yet a democratic body, but he expects them to advance ultimately to democratic fitness.

Among the thinkers of the French Revolution were those

who looked to democracy as an ideal system because it threw the power into the hands of the manual working classes, simple and uncorrupted. The democrat of early American history exhibited no similar idealization of the poor. The good man and true was indeed not rich, but he was secure in his living. Those who had to live precariously as servants or occasional laborers were not considered fit democratic material, however simple and unspoiled they might be. Democratic competence did not spring straight from the nature of man but came with training in political responsibility.

Since Marx political science has consciously or unconsciously assumed that government by a class will necessarily be dominated by class interests. The traditional American democrat assumed that though government were dominated by the independent farmers and craftsmen, this would not result in the oppression of the lower class nor the exploitation of the upper class. The true democrat would act in the spirit of the law and in the interest of society as a whole. He would not wish to expropriate the rich, unless the rich used their resources corruptly to defeat the will of the democracy.

From the outset the privileged elements in American life have disparaged democracy, often identifying it with rule by the irresponsible mob, and in any event convicting it of gross incapacity and inefficiency. Again and again in the course of American history the combining power of the privileged and their skill in political manipulation have appeared to win a conclusive victory over democracy. But sooner or later these usurpers of power have been forced out by a resurgence of democracy. I have only to enumerate the outstanding instances of democratic resurgence, under Jefferson, Jackson, Lincoln, Theodore Roosevelt, Franklin Roosevelt.

American democracy has proved itself an irrepressible force for the reason that it is not a matter of philosophical definition or legal status but a complex of impulses more or less

trained and of experience more or less substantial deep in the heart of the individual democrat. Three centuries of life almost wholly civil in character, within an environment rich enough to offer opportunity for independence to most men, represent the chief conditioning circumstances for the development of this peculiar and tenacious plant, the American democratic spirit. Similar environmental circumstances, it is true, did not produce a similar democratic spirit in Latin America. But Latin American colonization did not begin with the independent yeoman and artisan, schooled by their part in the administration of justice to a sense of the reality of law and the obligation of acting in harmony with the principles of justice.

Most political scientists would argue that the conditions that built up American democracy lie in the past, and that therefore the future of this kind of democracy is problematic. The jury, for example, has become corrupted. Instead of the panel of good men and true we often have panels consisting of quasi-professional jurors, men of no weight, picked by the politicians in the interest of the political machines. The independent farmer is being weathered off the ground by capricious prices and accumulating debt. The independent artisan has given way to the factory worker, dependent for his living upon the will of an impersonal corporation.

Perhaps. But one of the most remarkable of social phenomena is the adaptability of an institution that has incorporated itself in the tissue of life. Everyone has noted the capacity of German militarism to reappear in new forms when old forms appear obsolete. American democracy has many a Protean trick for reappearing in new guises. It still lives in a continent of indefinite possibilities for secure and abundant life. The anti-democratic forces are powerful, but they were powerful in the days of Jefferson, Jackson, Lincoln. Those forces could not hold out against the pervasive, persistent

forces of democracy, blindly moving toward the creation of a new set of circumstances suitable to the education and functioning of democratic man. At the present moment we are witnessing American democracy in flood, sweeping resistlessly over the levees thrown up by financial interests and the anti-democratic political strategists.

The Romans elaborated techniques of law and administration that were of such vitality that they survived the collapse of the empire and still exert a powerful influence throughout the civilized world. It is the mission of American democracy to establish itself so deeply in the hearts of men that the form and spirit will survive through the generations, defying the disintegrating forces of social and economic change. And it is the mission of scholarship to hold fast to the underlying substance through all the processes of change and to discover the new forms toward which the forces of change are tending, that men of good will shall not fall into despair over losses that are such only in seeming, or waste themselves in clinging to obsolete forms from which the substance of democratic life has migrated.

The scholar and scientist can not create the forces that give democracy its vitality. These forces must grow up out of the people itself. They originate in the nature of man, conditioned by environment, geographical, economic, social. The best conceived democratic constitution fails where the underlying democratic forces are wanting, or inadequately developed. On the other hand these underlying forces operate blindly, with immense turmoil and confusion, with tragic mistakes and waste, unless they are subjected to scholarly analysis and given definite expression. Rousseau and the *philosophes* did not make the liberal revolution, but they helped to shape its ideas into a workable system. The analyses composing this book do not pretend to a part in the creation of democratic forces; but such analyses nevertheless have an important function, to

bring the issues into a clear light, to express the ideas of democracy and to draw them together toward a system, in order that democratic action may be more self-conscious, more direct in its progress toward its goal.

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## NOTES

### IS ECONOMIC PLANNING COMPATIBLE WITH DEMOCRACY? *Gerhard Colm*

A discussion on planning in democracy has been published in the *Proceedings of the American Sociological Society*, 1934 (vol. 29, no. 3). Especially pertaining to our subject is a paper by Lewis L. Lorwin on "Planning in a Democracy." With regard to the various connotations of the concept of planning I refer to Eduard Heimann's article on "Types and Potentialities of Economic Planning" in *Social Research*, vol. 2, no. 2, 1935. The political and sociological implications of planning are analyzed by Hans Speier in "Freedom and Social Planning," the *American Journal of Sociology*, vol. 42, no. 4, January, 1937. The implications of the social philosophy of planning are treated by Eduard Heimann in his book, as yet unpublished, on *Communism, Fascism, and Democracy*.

Comprehensive planning of the Soviet Russian type is treated by Barbara Wootton, *Plan or No Plan*, New York, 1935. A program for planning in America is visualized in a report of a committee under the chairmanship of J. M. Clark: "Long Range Planning for the Regularization of Industry" (reprinted in J. M. Clark, *Preface to Social Economics*, New York, 1936). The various attempts at planning in America are summarized in the masterly report of The National Resources Board of December, 1934. The case of the AAA as an example of planning with democratic means is presented in Bushrod W. Allin's paper, "Is Planning Compatible with Democracy?," in the *American Journal of Sociology*, *loc. cit.*

With regard to liberal interventionism, I may refer to an address by Alexander Rüstow on the political presuppositions of liberalism in *Schriften des Vereins für Sozialpolitik*, vol. 187,

1932, and to the pamphlet by Henry C. Simons, "A Positive Program for *Laissez Faire*," Chicago, 1934. A primer on "planned interventionism" is presented by Caroline F. Ware and Gardiner C. Means in their book *The Modern Economy in Action*, New York, 1936. Finally, I should like to refer to the stimulating but somewhat bewildering essay by Frank H. Knight on "Nationalism and Economic Theory" in *Ethics of Competition*, New York, 1935, especially pages 350 ff., where remarks on the distinction between formal and substantial democracy (without the use of these terms) can be found.

### THE TRADE UNION APPROACH TO ECONOMIC DEMOCRACY

*Alfred Kähler*

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### DEMOCRATIC FREEDOM AND THE ORGANIZATION OF LABOR

*Eduard Heimann*

Of the huge amount of literature on labor unions, the standard works are, of course, the writings by Sidney and Beatrice Webb, mainly *Industrial Democracy*, London, 1920; on recent American developments, Lewis L. Lorwin, *History of the American*

*Federation of Labor*, Washington, 1933, and Selig Perlman, *A Theory of the Labor Movement*, New York, 1928. It is this last work to which the author owes much. His own *Soziale Theorie des Kapitalismus*, Tübingen, 1929, developed the idea of the unions as instruments of social liberty without, however, proper emphasis on the decentralization of responsibility.

This problem was introduced into European thought after the war by Eugen Rosenstock-Huessy, *Werkstattaussiedlung*, 1922, and *Lebensarbeit in der Industrie*, Berlin, 1926, and by Hyacinthe Dubreuil, *La République Industrielle*, 1924, and several articles in the magazine *Information Sociale*; although the solution offered by them was applicable only in fairly narrow limits, they must be credited with having put the problem. A summary of the American experiences is in the book by W. J. Lauck, *Political and Industrial Democracy, 1776-1926*, New York, 1926. The present paper follows the line of thought developed by Ilse Ganzert and Eduard Heimann in "Soziale Betriebsarbeit," *Neue Blätter für den Sozialismus*, May, 1930. The best introduction to this range of problems is offered by the outstanding Catholic writer, Ernst Michel, *Industrielle Arbeitsordnung*, 1932.

## THE REGULATION OF LABOR CONFLICTS

*Frieda Wunderlich*

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*Arthur Feiler*

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*Max Ascoli*

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#### GOVERNMENT BY LAW

*Max Ascoli*

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Hans Speier

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## DEMOCRATIC NATIONALISM

Carl Mayer

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*Hans Simons*

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